



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



2022

INTERIM REPORT

IMPORTANT NOTICE

- I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management members of the Company warrant that the content of this interim report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.
- II. All the directors of the Company have attended the Board meeting.
- III. In this interim report, the financial data for the six months ended June 30, 2021 and the six months ended June 30, 2022 are unaudited, but the data for the year ended December 31, 2021 have been audited.
- IV. Cho Tak Wong, the person-in-charge of the Company, Chen Xiangming, the person-in-charge of accounting and Qiu Yongnian, the head of the accounting department (in charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this interim report.
- V. Plan for profit distribution or conversion of capital reserves into share capital as approved by the Board by way of resolution during the Reporting Period

The Company did not formulate any plan for interim profit distribution or conversion of capital reserves into share capital during the Reporting Period.

- VI. Risks disclaimer of the forward-looking statements

The forward-looking statements in this report such as future plans and development strategies do not constitute an actual commitment of the Company to investors. Investors and people concerned should maintain sufficient risk awareness in this regard and understand the difference between plans, predictions and commitments. 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 interim report disclosed by the Company

No

- X. Material risk alert

The Company has described details of the possible risks and its countermeasures in this report. Investors are advised to refer to the relevant sections such as "Section III Management Discussion and Analysis" in this report for descriptions in respect of the risks we may be exposed to.

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Section I Definitions

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

DEFINITIONS OF COMMON TERMS

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, the Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group, the Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors	the board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
RMB, RMB1,000, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 1,000 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, the lawful currency in circulation in the PRC
PVB	polyvinyl butyral
OEM, ancillary business	automotive glass and services used in new vehicles of automobile factories
ARG, spare parts and component business	used in aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
laminated glass	automotive safety glass made by two or more than two layers of automobile grade float glass bonded with a layer or various layers of PVB
tempered glass	automotive safety glass made by heating automotive grade float glass to a certain temperature, then promptly cooling it down evenly after being shaped
float glass	the glass produced by applying float technology
Reporting Period	the six months from January 1, 2022 to June 30, 2022

Section II Corporate Profile and Principal Financial Indicators

I. COMPANY INFORMATION

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

II. CONTACT PERSON AND CONTACT METHODS

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

III. CHANGES IN BASIC INFORMATION

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

Section II Corporate Profile and Principal Financial Indicators

IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspaper selected by the Company for information disclosure	Shanghai Securities News, China Securities Journal and Securities Times
Websites for publishing the interim report of the Company	SSE: http://www.sse.com.cn Hong Kong Stock Exchange: http://www.hkexnews.hk
Place of inspection of the interim report of the Company	Secretarial Office of the Board of Directors of the Company, District II of Fuyao Industrial Zone, Fuqing City
Query index of changes during the Reporting Period	Nil

V. INFORMATION ON THE COMPANY'S SHARES

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

VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key accounting data

Unit: '000 Currency: RMB

Key accounting data	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)		Increase/ decrease of the Reporting Period as compared with the corresponding period last year (%)
		After adjustment	Before adjustment	
Revenue	12,903,699	11,543,168	11,543,168	11.79
Profit for the Reporting Period attributable to owners of the Company	2,381,629	1,768,984	1,768,984	34.63
Profit for the Reporting Period attributable to owners of the Company, net of non-recurring profit or loss	2,310,303	1,661,741	1,661,741	39.03
Net cash generated from operating activities	2,868,144	3,164,756	3,164,756	-9.37

Section II Corporate Profile and Principal Financial Indicators

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

(I) Key accounting data (Continued)

	At the end of the Reporting Period (Unaudited)	At the end of last year (Audited)		Increase/decrease at the end of the Reporting Period as compared with the end of last year (%)
		After adjustment	Before adjustment	
Equity attributable to owners of the Company	26,563,768	26,317,208	26,317,208	0.94
Total assets	48,255,031	44,796,085	44,796,085	7.72

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

(II) Key financial indicators

Key accounting data	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)		Increase/decrease of the Reporting Period as compared with the corresponding period last year (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB/share)	0.91	0.70	0.70	30.00
Diluted earnings per share (RMB/share)	0.91	0.70	0.70	30.00
Return on equity (%)	8.97	7.09	7.09	1.88

Description of key accounting data and financial indicators of the Company

In 2021, the Company reclassified transportation costs incurred prior to the transfer of control to the customers from distribution costs to cost of sales; it also reclassified certain maintenance costs related to the manufacturing department from administrative expenses to cost of sales.

For the Reporting Period, the Company has prepared its financial statements in accordance with the above accounting policies. Adjustments have also been made to the comparative financial statements for the corresponding period of the previous year, and such adjusted presentation does not affect the aforementioned key accounting data and financial indicators.

Section II Corporate Profile and Principal Financial Indicators

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

- (I) Discrepancies between profit for the Reporting Period and equity attributable to owners of the Company in the financial report disclosed under the International Financial Reporting Standards and under the China Accounting Standards for Business Enterprises

Unit: '000 Currency: RMB

	Profit for the Reporting Period attributable to owners of the Company		Equity attributable to owners of the Company	
	Amount for the Reporting Period (Unaudited)	Amount for the corresponding period of last year (Unaudited)	Amount at the end of the Reporting Period (Unaudited)	Amount at the beginning of the Reporting Period (Audited)
Prepared in accordance with the China Accounting Standards for Business Enterprises	2,381,899	1,769,247	26,552,846	26,306,016
Adjustments to items and amounts in accordance with the International Financial Reporting Standards:				
Reversal of impairment for buildings and land use rights and the discrepancies between corresponding depreciation and amortization	-270	-263	10,922	11,192
Prepared in accordance with the International Financial Reporting Standards	2,381,629	1,768,984	26,563,768	26,317,208

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

In addition to preparing the financial statements for H shares in accordance with the International Financial Reporting Standards, the Company, as an A-shares company listed on the SSE, is also required to prepare financial statements in accordance with the China Accounting Standards for Business Enterprises. There are discrepancies between the financial statements prepared by the Company in accordance with the International Financial Reporting Standards and those prepared by the Company in accordance with the China Accounting Standards for Business Enterprises: Yung Tak Investment Limited, a subsidiary of the Group established in the Hong Kong Special Administrative Region, made provision for impairment in accordance with the discrepancies between recoverable amounts and carrying amounts of buildings and lands in previous years. For the provision for impairment of such long-term assets, according to the "Accounting Standards for Business Enterprises No. 8 – Assets Impairment" issued by the Ministry of Finance on February 15, 2006, upon confirmation of any loss on asset impairment of the Group, it shall not be reversed during the subsequent accounting periods. However, under the International Financial Reporting Standards, the estimations applied by the Group to determine the recoverable amount of assets have varied since the latest recognition of loss on impairment, and the loss on asset impairment, excluding goodwill, recognized in the previous period should be reversed. The discrepancies 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 buildings and land use rights over their useful lives, thus resulting in the above adjustments.

Section II Corporate Profile and Principal Financial Indicators

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

Unit: Yuan Currency: RMB

	January – June 2022 (Unaudited)
Non-recurring profit or loss items	
Profit or loss from disposal of non-current assets	-36,545,370
Government subsidies recorded under current profit or loss, other than those closely related to the normal business operations of the Company and subject to a fixed amount or quantity under certain standards required by national policies	103,329,917
Capital occupancy fee from non-financial enterprises recognized through profit or loss	1,752,902
Profit or loss from changes in fair value of held-for-trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and investment gains from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, other than effective hedging activities related to the normal business operations of the Company	-1,797,300
Reversal of impairment provision for receivables tested for impairment on an individual basis	1,128,742
Other non-operating income and expenses other than the above items	15,471,134
Less: Effects of income tax	11,619,132
Effects of minority interests (after tax)	124,854
	<hr/>
Total	<u>71,596,039</u>

Section III Management Discussion and Analysis

I. INDUSTRY OVERVIEW AND PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(I) Principal business and business model

The Company is principally engaged in providing complete solutions of safety glass and automotive accessories for various transportation vehicles, including design, manufacture and sales and services related to automotive grade float glass, automotive glass, locomotive glass, luggage racks, and vehicle window trims. The business model of the Company is global, research and development, design, manufacturing, 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 design, manufacturing and services, focusing on improving its business ecological chain and responding to the ever-changing needs of customers systematically, professionally and rapidly, thus creating value for its customers.

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

Unit: '000 Currency: RMB

Product	Revenue	Cost of sales	Gross profit margin (%)	Change in revenue as compared with corresponding period last year (%)	Change in cost of sales as compared with corresponding period last year (%)	Change in gross profit margin as compared with corresponding period last year (%)
Automotive glass	11,703,635	8,299,248	29.09	12.89	16.18	-2.00
Float glass	2,058,134	1,478,961	28.14	6.30	20.99	-8.73
Others	1,089,479	764,073				
Less: Intragroup elimination	<u>-1,947,549</u>	<u>-1,947,549</u>				
Total	<u>12,903,699</u>	<u>8,594,733</u>	<u>33.39</u>	<u>11.79</u>	<u>16.63</u>	<u>-2.77</u>

(II) Industry overview

According to the the China Association of Automobile Manufacturers, the automobile production and sales volume from January to June 2022 amounted to 12,117,000 units and 12,057,000 units, representing a year-on-year decrease of 3.7% and 6.6%, respectively. In particular, the production and sales volume of passenger vehicles were 10,434,000 units and 10,355,000 units, representing year-on-year increases of 6.0% and 3.4%, respectively. As of 2021, China has ranked first in the world for thirteen consecutive years in terms of automobile production and sales volume.

Section III Management Discussion and Analysis

I. INDUSTRY OVERVIEW AND PRINCIPAL BUSINESS DURING THE REPORTING PERIOD (CONTINUED)

(II) Industry overview (Continued)

In the short term, the automobile market is recovering, but its foundation remains unstable. On the one hand, all countries are implementing pandemic prevention measures; however, the resurgence of outbreaks of the pandemic led to the increasing instabilities in the global automobile supply chain, and uncertainties in the automotive market. On the other hand, with the domestic pandemic prevention and control situation gradually improving and the income level of residents gradually increasing, the national and local governments have introduced and implemented various policies to promote automobile consumption, such as optimization of the purchase restriction policy, purchase tax reduction, car purchase subsidies, implementation of a new campaign for automobiles to be used in the countryside and various policies to promote automobile consumption, so that the automobile consumption gradually rebounded and the automobile market was able to make an accelerated recovery.

In the structure of the global automobile industry, the proportion of new automobile production and automobile ownership in developing countries has been increasing, resulting in greater impact. However, the popularity of automobiles is still far behind that of developed countries. The automobile ownership per 100 of the population reached over 50 units in the US, Japan, Germany and other developed countries, while the automobile ownership per 100 of the population in the developing China was only approximately 21 units in 2021. There is still a tremendous gap between China and major developed countries. As compared to China's population, the proportion of middle-income people and per capita GDP, China's automobile consumption still has huge potential. There is still great room for development in the industry that provides accessories for the automobile industry.

At present, "electrification, networking, intelligence and sharing" (new four modernizations) have become the trend and development of the automotive industry, the automobile market has now entered a new stage of development characterized by diversified demands and an optimized structure, the penetration rate of new energy vehicles has been increasing, and smart vehicles have entered into the stage of common use. The automobile is no longer a simple means of transportation, but is currently transforming into a mobile intelligent terminal. The development of the new four modernizations of automobiles has led to integration of more new technologies into automotive glass. It puts forward new requirements for automotive glass and also provides new opportunities for the development of the automotive glass industry, pushing automotive glass towards the direction of "safety and comfort, energy conservation and environmental friendliness, aesthetics and fashion, and intelligent integration". The proportion of high value-added products, such as intelligent panoramic roof glass, dimmable glass, head-up display glass and ultra-insulated glass, is constantly increasing. The industry-leading position of Fuyao in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

Therefore, in the medium to long term, industries supporting the development of the automobile industry still has relatively stable development opportunities.

Note: The sources of the information above include the information from Organization Internationale des Constructeurs d'Automobiles (OICA), the China Association of Automobile Manufacturers and International Automobile Manufacturers Association.

Section III Management Discussion and Analysis

II. 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 a 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 who are competitive in the industry in terms of operation, management, technology, quality, technique, design and IT.
3. The standardized, transparent and international financial system and the ERP-based process optimization system of Fuyao lay a solid foundation for the realization of digital and intelligent "Industry 4.0".
4. Fuyao has built a relatively comprehensive industrial ecology, such as sand mineral resources, quality float technology, research and development and manufacturing of process equipment, multi-function integrated glass, extension to aluminum trim industry, global 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.

III. DISCUSSION AND ANALYSIS OF OPERATION

As a world-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 continuously provided automobile manufacturers and maintenance market worldwide with products and services of automotive safety glass crafted with wisdom and care and provided global automobile users with smart, safe, comfortable, environment-friendly and trendy total solutions relating to automotive safety glass and automotive accessories, while continuously making the in-vehicle experience of drivers and passengers more enjoyable.

In the first half of 2022, the global economic situation was complicated and severe, with accelerated divergence in the geopolitical landscape, severe inflationary pressure, constant resurgence of pandemic, and aggravation of the global supply chain crisis, which put the global economy under greater pressure. Affected by unexpected factors at home and abroad, the "triple pressure" faced by the Chinese economy continued to increase. The government also adopted a series of policy measures to stabilize the macro economy, such as purchase tax reduction and car purchase subsidies for the automobile industry, and the macroeconomy began to gradually recover. According to the statistics released by the China Association of Automobile Manufacturers, the automobile production volume in 2022 from January to June was 12,117,000 units, representing a year on-year decrease of 3.7%.

Section III Management Discussion and Analysis

III. DISCUSSION AND ANALYSIS OF OPERATION (CONTINUED)

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB12,903,699,000, representing an increase of 11.79% as compared with the corresponding period last year, which was higher than the level of industry growth; realized profit before tax of RMB2,669,215,000, representing an increase of 28.60% as compared with the corresponding period last year; realized profit for the Reporting Period attributable to owners of the Company of RMB2,381,629,000, representing an increase of 34.63% as compared with the corresponding period last year; and realized earnings per share of RMB0.91, representing an increase of 30.00% as compared with the corresponding period last year.

1. During the Reporting Period, the profit before tax increased by 28.60% as compared with the corresponding period of the previous year. Eliminating the impact of the following factors, the profit before tax during the Reporting Period increased by 11.88% year on year:
 - (1) during the Reporting Period, the gains from foreign exchange amounted to RMB508,882,000, and the losses from foreign exchange in the corresponding period of the previous year was RMB172,059,000, representing a year-on-year increase of RMB680,941,000 in profit before tax;
 - (2) during the Reporting Period, the RMB appreciated year-on-year, which resulted in the year-on-year decrease of RMB55,403,000 in gross profit;
 - (3) during the Reporting Period, the price of soda ash increased, which resulted in the year-on-year decrease of RMB136,332,000 in profit before tax;
 - (4) during the Reporting Period, the energy prices increased, which resulted in the year-on-year decrease of RMB86,734,000 in profit before tax; and
 - (5) during the Reporting Period, the price of sea freight increased, which resulted in the year-on-year decrease of RMB75,988,000 in profit before tax.

2. During the Reporting Period, the Company made retroactive adjustments to the first half of 2021 based on the changes in accounting policy for the year 2021 (please refer to the 2021 Annual Report, i.e., reclassified transportation costs incurred prior to the transfer of control to the customer from distribution costs to cost of sales; and reclassified certain maintenance costs related to the manufacturing department from administrative expenses to cost of sales). After retrospective adjustment, the gross profit margin during the Reporting Period was 33.39% as compared with 36.16% for the corresponding period of the previous year, representing a year-on-year decrease of 2.77 percentage points, mainly due to the impact of the year-on-year appreciation of Renminbi, and the increase in the prices of soda ash, energy and sea freight. The above four factors together resulted in a year-on-year decrease of the gross profit margin by 2.75 percentage points, of which:
 - (1) the year-on-year appreciation of Renminbi resulted in a year-on-year decrease in the gross profit margin of 0.43 percentage point;
 - (2) the year-on-year increase in price of soda ash resulted in a year-on-year decrease in the gross profit margin of 1.06 percentage point;
 - (3) the year-on-year increase in the price of energy resulted in a year-on-year decrease in the gross profit margin of 0.67 percentage point; and
 - (4) the year-on-year increase in the sea freight resulted in a year-on-year decrease in the gross profit margin of 0.59 percentage point.

Section III Management Discussion and Analysis

III. DISCUSSION AND ANALYSIS OF OPERATION (CONTINUED)

During the Reporting Period, the Company carried out the following work according to the Group's business strategy consistently 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 marketing management system and achieved high-quality development of marketing: the Company continued to improve the market development mechanism, improved the sales management mechanism throughout the process, built an efficient and stable marketing team, and achieved high-quality development of marketing. The Company has always maintained market sensitivity, captured market demand, and continuously expanded new markets and attracted new customers. During the Reporting Period, the Company outperformed the automotive industry in terms of automotive glass revenue, the siphonic effect of the leading companies was remarkable, and the market competitiveness continued to improve.
2. took a lead in R&D innovation and technology: the Company continued to promote the development of automotive glass toward the direction of "safety and comfort, energy conservation and environmental friendliness, aesthetics and fashion, and intelligent integration", strengthened R&D of high value-added products with independent intellectual property rights, continuously upgraded equipment capabilities to realize product upgrade, and, with the innovative products leading the industry as the carrier, continued to create value for customers.
3. promoted green development: the Company promoted green development from multiple dimensions, such as energy use, green factories and green products, orderly promoted "green supply chain, clean production, wastes reclamation and energy decarbonization", and continuously optimized the industrial structure and energy structure to achieve the sustainable development of the Company.
4. improved the quality and efficiency of the whole value chain: the Company continued to improve the quality and efficiency of the whole value chain, built five-star teams, refined the construction of digital, automated and standardized factories, and improved the overall efficiency of the organization from previous successful experience.
5. enhanced the foundation for the development: the Company carried forward the core values of "diligence, simplicity, learning and innovation"; maintained a stable team, trained talents internally and externally, and ensured their coordinated development and implementation of the strategy; improved enterprise value creation capabilities to enhance the Company's development foundation.

Material changes in the operation of the Company during the Reporting Period and events that occurred during the Reporting Period that have had a significant impact on the operation of the Company and are expected to have a significant impact in the future

Please refer to "III. Discussion and Analysis of Operation" above for details.

Section III Management Discussion and Analysis

IV. KEY OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

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

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the same period last year	Percentage Change (%)
Revenue	12,903,699	11,543,168	11.79
Cost of sales	8,594,733	7,369,206	16.63
Distribution costs	615,215	553,071	11.24
Administrative expenses	1,002,616	938,050	6.88
Finance costs – net	68,482	74,618	-8.22
Research and development expenses	557,462	472,079	18.09
Net cash generated from operating activities	2,868,144	3,164,756	-9.37
Net cash used in investing activities	-1,118,542	-636,893	75.62
Net cash generated from financing activities	364,813	3,960,133	-90.79
Other gains/(loss) – net	484,991	-166,902	N/A

Reason for change in income: the increase in income was mainly due to the enhanced marketing efforts of the Company.

Reason for change in cost of sales: the increase in cost of sales was mainly due to the increase in revenue and increase in materials, energy and sea freight cost.

Reason for change in distribution costs: the increase in distribution costs was mainly due to the increase in income and the increase in packaging expenses and other expenses.

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

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

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

Section III Management Discussion and Analysis

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

(I) Analysis on principal business (Continued)

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

Reason for change in net cash generated from operating activities: the decrease in net cash generated from operating activities was mainly due to the increase in payment of employee salaries and expenses for the purchase of raw and auxiliary materials during the Reporting Period.

Reason for change in net cash used in investing activities: the increase in net cash used in investing activities was mainly due to the increase in capital expenditures during the Reporting Period, and the recovery of principal due on structured deposits of RMB300 million in the corresponding period of the previous year.

Reason for change in net cash generated from financing activities: the change in net cash generated from financing activities was mainly due to the net proceeds from the placement of additional H shares of RMB3,579 million in the corresponding period of the previous year.

Reason for change in other gains/(loss) – net: the change in other gains/(loss) – net was due to foreign exchange gain of RMB509 million during the Reporting Period, as compared with foreign exchange loss of RMB172 million for the corresponding period last year.

(II) Analysis on assets and liabilities

1. Assets and liabilities

Unit: '000 Currency: RMB

Item	Closing balance	The percentage of closing balance to the total assets (%)	Closing balance of the previous period	The percentage of closing balance of the previous period to the total assets (%)	Change in the closing balance as compared with the closing balance of the previous period (%)	Explanations
Borrowings – current liabilities	11,122,921	23.05	8,250,722	18.42	34.81	The increase in borrowings – current liabilities was mainly due to the transfer of bonds payable due within one year into this item for accounting and reporting as at the end of the Reporting Period and the issuance of five tranches of ultra-short term financing bonds totaling RMB1,693 million during the Reporting Period.

Section III Management Discussion and Analysis

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

(II) Analysis on assets and liabilities (Continued)

2. Overseas assets

(1) Size of assets

Including: overseas assets of RMB18,644 million, accounting for 38.64% of the total assets.

(2) Details of the high proportion of overseas assets

The overseas assets are the assets in the account of the overseas subsidiaries which are established by the Company and the deposits of the parent company which are deposited in foreign currencies in Hong Kong. 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 RMB5,801 million as at June 30, 2022, with the revenue amounting to RMB2,234 million and profit for the Reporting Period amounting to RMB218 million in the first half of 2022.

3. Details of charge on assets

As at June 30, 2022, lands and above-ground buildings erected thereon with a book value of RMB18,475,000 (original value: RMB34,039,000) were pledged as security for the credit facilities of HK\$30 million.

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

(1) Number of employees: as at the end of the Reporting Period, the number of employees of the Company was 27,064, representing an increase of 532 employees as compared with that at the end of 2021.

(2) Remuneration policy: based on the principles of fairness, competitiveness, incentives and legality, the Company formulated its remuneration policy. Remuneration of employees is mainly composed of various items including basic salaries, performance salaries, bonuses, subsidies and allowance; salaries are adjusted in accordance with the Company's performance, and employees' performance and capability in a timely manner. In addition, the Company participated in "five social insurances and one housing fund" as required, and made contributions to social insurances and housing provident fund on time.

(3) Training plans: according to the Group's strategic plan and annual operating policy and plan, the Company made training plans. The Group provides orientation training and on-the-job education for the growth of the employees, of which the orientation training covers subjects such as corporate culture and policies, work ethic and quality, major products and businesses, production process, quality management and occupational safety. The on-the-job education covers mandatory training required by the applicable laws and regulations such as environment, health and safety management systems, and special training covers all types of personnel at all levels. 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 III Management Discussion and Analysis

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

(III) Liquidity and source of capital

1. Cash flows

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the same period last year
Net cash generated from operating activities	2,868,144	3,164,756
Net cash used in investing activities	-1,118,542	-636,893
Net cash generated from financing activities	364,813	3,960,133
Net increase in cash and cash equivalents	2,114,415	6,487,996

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB2,868 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB13,944 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB7,755 million, cash paid to and paid on behalf of employees amounted to RMB2,475 million, and payment for various taxes amounted to RMB983 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 RMB1,119 million. In particular, cash paid for purchase and construction of property, plant and equipment and other long-term assets amounted to RMB1,386 million.
- (3) During the Reporting Period, net cash generated from financing activities amounted to RMB365 million. Net cash received from borrowings amounted to RMB8,643 million, cash used for repayment of debts amounted to RMB5,472 million; cash payment of dividend distribution and interest amounted to RMB2,719 million.

The Company will further strengthen and promote management system with intensive capital and budget, strictly control the exchange rate risks and optimize the capital structure to enhance the security and effectiveness of capital management and ensure the maximization of capital efficiency.

Section III Management Discussion and Analysis

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

(III) Liquidity and source of capital (Continued)

2. Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other transformation and upgrading expenditures. During the Reporting Period, RMB1,386 million in cash was paid for purchase and construction of property, plant and equipment and other long-term assets. In particular, capital expenditure of Fuyao America's automotive glass projects amounted to approximately RMB160 million, capital expenditure of the Shanghai automotive glass project amounted to approximately RMB119 million, and capital expenditure of the Suzhou automotive glass project amounted to approximately RMB104 million.

3. Borrowings

During the Reporting Period, the new bank borrowings amounted to RMB6,951 million; new ultra short-term bonds amounted to RMB1,693 million, repayment of bank borrowings amounted to RMB4,672 million; and repayment of ultra short-term bonds amounted to RMB800 million. The Company did not utilize any financial instrument for hedging. As of June 30, 2022, interest-bearing debts are set out as follows:

Unit: 100 million Currency: RMB

Type	Amount
Short-term borrowings with fixed interest rates	64.71
Long-term borrowings with fixed interest rates due within one year	14.30
Long-term borrowings with floating interest rates due within one year	3.00
Long-term borrowings with fixed interest rates	26.26
Medium-term notes	12.00
Ultra short-term financing bonds	16.93
	<hr/>
Total	<u>137.20</u>

Note: The information in the above table excludes accrued interest.

Section III Management Discussion and Analysis

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

(III) Liquidity and source of capital (Continued)

4. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is situated within the PRC and is denominated in Renminbi. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar). The finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent. As such, the Group may avoid foreign exchange risks by ways of intensifying international development; reasonably matching the size of foreign currency assets and liabilities with the expansion of overseas operations; optimizing the currencies in settlement of operations; matching the income with expenses in the same currency; and adopting appropriate exchange instruments such as locking the exchange rate and entering into forward foreign exchange contracts, currency swap contracts or foreign exchange options and other financial derivatives. During the Reporting Period, foreign exchange gains of the Group amounted to RMB509 million, as compared with foreign exchange losses of RMB172 million for the corresponding period of last year.

(IV) Capital efficiency

Inventory turnover period during the Reporting Period was 99 days as compared with 84 days of the corresponding period of last year. The year-on-year increase in the turnover period was mainly due to the longer shipping cycle and the corresponding increase in raw and auxiliary materials and products in reserves. In particular, inventory turnover period for automotive glass was 72 days as compared with 58 days of the corresponding period last year; inventory turnover period for float glass was 134 days as compared with 126 days of the corresponding period last year.

The turnover period of the trade receivables (including the notes receivable presented at fair value through other comprehensive income) during the Reporting Period was 77 days as compared with 80 days of the corresponding period last year.

During the Reporting Period, the return on equity was 8.97% as compared with 7.09% of the corresponding period of last year. The increase was mainly due to the year-on-year increase in profit for the reporting period during the Reporting Period.

Section III Management Discussion and Analysis

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

(IV) Capital efficiency (Continued)

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

Unit: '000 Currency: RMB

	As at June 30, 2022	As at December 31, 2021
Total borrowings	13,748,921	10,588,440
Lease liabilities	558,934	612,480
Long-term payables	67,820	74,150
Less: Cash and cash equivalents	-16,930,060	-14,325,322
Net debts	-2,554,385	-3,050,252
Total equity	26,550,475	26,305,296
Total capital	<u>23,996,090</u>	<u>23,255,044</u>
Gearing ratio (%)	<u>-10.65%</u>	<u>-13.12%</u>

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

(V) Commitments

For details, please refer to “26. Commitments” in the “Section IX Financial Report”.

(VI) Contingent liabilities

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

(VII) Outlook of the Company for the second half of 2022

In the second half of 2022, global economic uncertainties will remain, and the Company will closely follow the Group’s business strategy and carry out the following major tasks:

1. to continue to play the leading role in sales, continuously expand new market and new clients and promote the development of Fuyao.
2. to continue to be market-oriented, customer-oriented and product-oriented to continuously create value for our customers.

Section III Management Discussion and Analysis

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

(VII) Outlook of the Company for the second half of 2022 (Continued)

3. to implement “green energy saving”, 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 and management level, implement budget management and various measures of comprehensive cost control, and offset the impact of the increasing price of bulk materials and the high cost of ocean freight and other adverse factors.
5. to implement “innovation with integrity”, adhere to the Fuyao culture of “diligence, simplicity, learning and innovation”, insist on technological innovation and product innovation, and lead the times and trends towards the established direction of “safety and comfort, energy conservation and environmental friendliness, aesthetics and fashion, and intelligent integration.”

(VIII) Utilization of the proceeds from H Share Placing

Upon approval by the CSRC, as evidenced by 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), the Company completed the issuance of 101,126,000 additional overseas listed foreign shares (H shares) at a placing price of HK\$42.90 per share on May 10, 2021. After deducting underwriting fees and other issuance expenses (converted 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 actually received by the Company amounted to HK\$4,312.78 million. As at June 30, 2022, the use of the proceeds raised from H share offering by the Company are as follows:

Unit: HK\$ million

Proposed use of the proceeds	Planned use of the net proceeds	Utilized net proceeds	Unutilized net proceeds as at June 30, 2022	Expected timeline of use of the proceeds
Replenishment of working capital and optimization of the capital structure of the Group	2,587.67	1,486.81	1,100.86	From the second half of 2022 to 2023
Repayment of interest-bearing debts	646.92	545.53	101.39	The second half of 2022
Investment in R&D projects	646.92	646.92	0	–
Expansion of photovoltaic glass market and general corporate use	431.27	49.14	382.13	From the second half of 2022 to 2023
Total	4,312.78	2,728.40	1,584.38	

Section III Management Discussion and Analysis

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

(IX) Analysis of investment

(1) Overall analysis on external investment in equity interest

The Company's external investments in the corresponding period last year: The Company increased its investment in Fujian Wanda Automobile Glass Industry Co., Ltd. by RMB600 million for projects such as constructing coated automotive glass production line and tempered laminated side window production line. The investment project was filed with Fuqing City Development and Reform Bureau in June 2021, and the construction has started in August 2022.

(2) Financial assets at fair value

Unit: '000 Currency: RMB

Items	Opening balance	Closing balance	Changes in the Reporting Period	Impacted amounts on current profits
Trading equity instruments	6,320	7,632	1,312	-1,797
Sales of foreign exchange call options		-3,868	-3,868	
Equity of unlisted companies measured at fair value through other comprehensive income	69,321	69,321		
Notes receivable measured at fair value through other comprehensive income	1,114,012	1,166,750	52,738	-1,019
Total	1,189,653	1,239,835	50,182	-2,816

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 an asset, while a negative value is a liability.

Section III Management Discussion and Analysis

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

(X) Material disposal of assets and equities

In order to further optimize and adjust its asset structure, increase the liquidity of assets and improve the efficiency of the Company's asset use, 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), "Taiyuan Jinnuo") on June 28, 2018, pursuant to which the Company agreed to transfer its 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 should make the transfer payment of RMB321.40 million for the remaining 24% equity interest in Beijing Futong to the bank account designated by the Company in one lump through bank wire before December 31, 2018. The Company has recognized investment gains of RMB664,032,500 from the transfer of the equity interest in Beijing Futong and recorded an increase of RMB682,452,200 in cash inflow in 2018.

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 of 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 July 1, 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.

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 III Management Discussion and Analysis

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

(XI) 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	358,292.74	153,045.41	129,627.20	36,835.22	36,080.75
Fuyao Group (Shanghai) Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司)	Manufacturing enterprise	Production and sale of automotive glass products	6,804.88 (0,000 USD)	520,385.71	108,237.15	159,838.13	33,194.08	29,180.33
Guangzhou Fuyao Glass Co., Ltd. (廣州福耀玻璃有限公司)	Manufacturing enterprise	Production and sale of automotive glass products	7,500 (0,000 USD)	466,162.09	101,422.94	157,128.79	30,970.20	27,107.08
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	33,000 (0,000 USD)	580,082.37	115,925.14	223,443.85	26,677.70	21,793.91

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

V. OTHER DISCLOSURES

(I) 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, legal changes 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 resurgence of outbreaks 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.

Section III Management Discussion and Analysis

V. OTHER DISCLOSURES(CONTINUED)

(I) Potential risks (Continued)

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 to 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.

4. Risks associated with cost fluctuations

The costs of automotive glass of the Company mainly comprise raw materials of float glass, PVB raw materials, labor, electricity and manufacturing costs, while the costs of float glass mainly include pure soda ash raw materials and natural gas, labor, electricity and manufacturing fees. Due to fluctuations of the prices of international bulk commodities, changes in supply and demand in the natural gas market, changes in production capacity in the soda ash industry and needs for soda ash due to the prospect of the glass and the aluminum oxide industry, continuous rising of labor cost, the Company is exposed to the risk of cost fluctuations. Given the above, the Company will:

- (1) integrate key material suppliers and develop cooperative partnership with them; set up a sound mechanism for evaluating and incentivizing 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.

Section III Management Discussion and Analysis

V. OTHER DISCLOSURES(CONTINUED)

(I) Potential risks (Continued)

4. Risks associated with cost fluctuations (Continued)

- (2) enhance the research on the price trend of raw materials and make purchases in a timely manner; expand supply channel to ensure a stable and effective supply.
- (3) improve the utilization rate of materials, increase automation, optimize staff allocation, enhance efficiency, conserve energy and reduce consumption, strictly control costs throughout the process, integrate logistics, optimize packaging plans, increase transportation capacity of lorries and containers, reduce costs of packaging and logistics, enhance innovation in research and development and application of research accomplishments, increase productivity, improve management level and achieve overall efficiency.
- (4) strengthen customer loyalty and inspire their confidence in placing orders at the same time through setting up plants in Europe and the US and conducting production and sale in those regions, and leverage its strengths in the prices of materials, natural gas and electricity to avoid risks arising from cost fluctuations.
- (5) improve knowledge productivity and create value for the Company by devoting efforts to energy conservation in manufacturing and management, as well as product intelligence.

5. Risks associated with exchange rate fluctuations

China has reformed the RMB exchange rate mechanism on the principles of voluntarism, gradualism and controllability, and pursues a managed floating exchange rate regime that is based on market supply and demand and with reference to a basket of currencies. Although the underlying cause of imbalances in international trade lies in the issues behind the economic structure of certain countries, fluctuations in exchange rates will take place alongside the fluctuations in the global economy, turbulence in certain countries, growing tension in certain key 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 III Management Discussion and Analysis

V. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

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 revenue. 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 a 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 original equipment manufacturers through the product center and 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 external rights and ports of the core information system, update patches in a timely manner for resources such as the server, the storage, etc., and install hardware firewalls and other security equipment 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 information security risks, enhance the information security consciousness of the entire staff, establish information security management system and operational specifications, so as to improve the capability of resisting and avoiding information security risks.

Section III Management Discussion and Analysis

V. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

8. Data fraud 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 securely 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 accelerated 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.

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 reached international first-class standards 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.

Section IV Corporate Governance

I. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of publication of resolution(s)	Date of publication of resolution(s)	Meeting resolution(s)
2021 Annual General Meeting	April 28, 2022	http://www.sse.com.cn http://www.hkexnews.hk	April 29, 2022	All resolutions were considered and approved

Information on the general meeting

The 2021 Annual General Meeting was convened on April 28, 2022 by way of physical meeting in combination with online voting. All resolutions were considered and approved at the meeting by the shareholders attending the meeting by way of voting. For details, please refer to the Announcement on Resolutions of the 2021 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd. dated April 29, 2022 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>) and the Poll Results of the 2021 Annual General Meeting published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

II. PLAN FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL

The Company did not formulate any plan for interim profit distribution or conversion of capital reserves into share capital during the Reporting Period.

III. CORPORATE GOVERNANCE

(I) Corporate governance overview

1. Corporate Governance Code

The Company is committed to maintaining a high level of corporate governance in order to increase the shareholders' value and safeguard the interests of the shareholders. The Company has formulated a modernized corporate governance structure and established general meetings, the Board of Directors, the Board of Supervisors, special committees of the Board of Directors and senior management with reference to the Company Law of the PRC, the Guidelines on the Articles of Association of Listed Companies (as amended in 2022) and the Code of Corporate Governance for Listed Companies promulgated by the CSRC, the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended in January 2022) issued by the SSE, the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and other provisions.

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

Section IV Corporate Governance

III. CORPORATE GOVERNANCE (CONTINUED)

(I) Corporate governance overview (Continued)

1. Corporate governance code (Continued)

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

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

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

3. Independent non-executive directors

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

Section IV Corporate Governance

III. CORPORATE GOVERNANCE (CONTINUED)

(II) Special committees of the Board of Directors

1. Audit committee

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

2. Remuneration and assessment committee

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

3. Nomination committee

The Company has established a nomination committee in accordance with Rule 3.27A of the Hong Kong Listing Rules, code provisions B.3.1 and B.3.2, Part 2 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules as well as the requirements of the CSRC and the SSE. The nomination committee is mainly responsible for providing opinions or suggestions on the changes and recommendation of candidates for directors and senior management to the Board of Directors. The nomination committee comprises three members with independent non-executive directors being the majority. The Chairman of the nomination committee is Ms. Cheung Kit Man Alison, an independent non-executive director, and the other members are Mr. Liu Jing, an independent non-executive director, and Mr. Tso Fai, an executive director and the vice chairman of the Board of Directors of the Company. The terms of reference of the nomination committee are available on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

Section IV Corporate Governance

III. CORPORATE GOVERNANCE (CONTINUED)

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

4. Strategy and development committee

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

(III) Significant matters

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

Save for the ultra short-term financing bonds issued by the Company during the Reporting Period, which are disclosed in "16. Borrowings" of "Section IX Financial Report" in this interim report, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, disposed of or redeemed any listed securities of the Company.

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

The audit committee under the Board of Directors has reviewed the unaudited condensed consolidated interim financial statements, the interim results announcement and the interim report of the Company for the six months ended June 30, 2022 and has discussed with the senior management of the Company on such matters as the accounting policies and practices adopted by the Company.

Section V Environmental and Social Responsibility

1. 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, “Chongqing Float Glass”) is listed as the “Polluting Enterprise under Key Supervision by the State” by the Ministry of Environmental Protection. Chongqing Float Glass had a total of two automotive grade float glass production lines, 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, SO₂ and NO_x. Chongqing Float Glass implements the emission standard in the Chart 2 of GB26453–2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

The waste gas produced by the 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 3.73 mg/m³ and total emission was 0.54 tons; the average emission concentration of SO₂ was 143.13 mg/m³ and total emission was 23.86 tons; and the average emission concentration of NO_x was 393.86 mg/m³ and total emission was 62.64 tons. The average emission concentration of special pollutants of No. DA001 waste gas discharge outlet was 19.67 mg/m³ and total emission was 2.02 tons; the average emission concentration of SO₂ was 113.6mg/m³, and total emission was 12.17 tons; and the average emission concentration of NO_x was 380.79 mg/m³ and total emission was 38.81 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 m³/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 m³/hour to 80,000 m³/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 V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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

The project of Chongqing Float Glass has passed the 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

Chongqing Float Glass comprehensively and truly makes its relevant environmental information available to the public through the websites of "the Environmental Credit Evaluation in Chongqing (<https://www.qyhjxypj.com>)" and the "Chongqing Pollution Source Monitoring Data Release Platform 2.0 (http://119.84.149.34:20003/publish2_ent)" to consciously fulfill its corporate environmental responsibility.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

(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 Float Glass, 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, SO₂ and NO_x. 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 m³/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 m³/hour to 80,000 m³/hour.

(2) Automotive glass business division

The production lines of the Company's automotive glass business division are mainly for production of laminated glass (for windshield), tempered glass (for rear windows), tempered glass (for side windows) and encapsulated glass. The specific pollutants include waste gases, mainly including toluene, xylene and non-methane hydrocarbon; production wastewater, mainly including COD, BOD₅, 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.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

1. Reference to other environmental information disclosed by key pollutant discharging companies (Continued)

(2) Automotive glass business division (Continued)

For the above-mentioned pollutants, the Company mainly adopts the following methods for treatment: waste gases shall be collected through the establishment of 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.

(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, SO₂ and NOx; 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.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

1. Reference to other environmental information disclosed by key pollutant discharging companies (Continued)

(3) Aluminum accessories business division (Continued)

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 V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

1. Through the core system smart energy platform 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, cleanliness and efficiency, decentralized distribution and nearby consumption and utilization, and makes full use of local solar energy resources to replace and reduce fossil energy consumption and to supplement 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 reduces 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; enhancing process monitoring and reducing reject rate, etc.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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 photoelectricity. 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.

(IV) Measures adopted for reducing carbon emissions during the Reporting Period and their effects

1. The accumulated electric energy production of Fuyao Group generated from the roof distributed photovoltaic output in the first half of 2022 is 40.9074 million kWh, which was equivalent to reducing 5,027.50 tons of standard coal and 28,900 tons of carbon dioxide emissions.
2. The pretreatment flat washer and bending washer in lamination workshops in G3 factory of Fujian Wanda Automobile Glass Industry Co., Ltd. (“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.
3. In response to the requirements of Fuyao Group for energy-saving and enhancement of efficiency, Chongqing Wansheng Fuyao Glass Co., Ltd (“Chongqing Automobile Glass”) improved the working procedure of tempered BT furnace with high power consumption, and reduced the power consumption by reducing the equipment failure rate, changing the single-chip production to double-chip production, using semi-tempered converters for production, reducing the number of ceramic sticks and commissioning time, controlling and improving the on-site lamp source, controlling the temperature of glass coming out of the furnace, and reducing the speed of the cooling fan. The project was completed in March 2022, and it is expected to save 1.8 million kWh of electricity per year, equivalent to saving 221.22 tons of standard coal and reducing 946.26 tons of carbon dioxide emissions.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

(IV) Measures adopted for reducing carbon emissions during the Reporting Period and their effects (Continued)

4. In the BT4# inspection area of the tempering workshop of Fuyao Glass (Suzhou) Co., Ltd. ("Suzhou Automotive Glass"), in front of the bending washers, the inspectors need to turn on two cooling fans to ensure that the glass is cooled to below 45 degrees before the inspection. However, in the actual production process, it is only necessary to ensure that the glass temperature before entering the bending washers is below 100 degrees, so there is a waste of power consumption in the cooling process during inspection. In February 2022, Suzhou Automotive Glass adjusted the process in this area by moving the inspection personnel to the back of the bending washers, thus reducing the use of one cooling fan and reducing electricity consumption. The project is expected to achieve an annual electricity saving of 436,300 kWh, equivalent to 53.62 tons of standard coal and 306.94 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; it also eliminates the backward motors, turns on batching lighting system in sections, achieves a linkage between hydrogen production framework and lye pump equipment, reduces power consumption and adopts other measures to reduce carbon dioxide emissions.

II. DETAILED INFORMATION ON CONSOLIDATION AND EXPANSION OF THE RESULTS IN POVERTY ALLEVIATION, RURAL REVITALIZATION AND OTHER WORKS

According to the information provided by Heren Charitable Foundation, during the Reporting Period, Heren Charitable Foundation established by Mr. Cho Tak Wong by way of donation of his 300 million shares in Fuyao Glass, made a donation of RMB165.3329 million, comprising:

- Education and culture: the expenditure of RMB160,000,000, included donating to Fuzhou Fuyao Institute for Advanced Study ("Fuyao Technology University") and supporting the construction projects of Dewang Institute of Basic Education of Fujian Normal University.
- Conservation of ancient buildings: the expenditure of RMB5,000,000 was mainly used to conserve ancient buildings and cultural heritage.
- Ecological protection: the expenditure of RMB32,900 was mainly used to carry out the national park system construction project.
- Other poverty alleviation: the expenditure of RMB300,000 was mainly used to promote the development of public welfare development.

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 VI 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
Other undertakings	Dividend distribution	Fuyao Glass Industry Group Co., Ltd.	For details, please refer to the Dividend Distribution Plan of Fuyao Glass Industry Group Co., Ltd. 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 Times and the websites of the SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).	Date of announcement of the undertaking: June 18, 2021, Term of performance of the undertaking: January 1, 2021 to December 31, 2023	Yes	Yes

II. MATERIAL LITIGATION AND ARBITRATION

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

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

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

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS

(I) Connected transactions in relation to ordinary business operations

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

Description of the matter

The Resolution in Relation to the Lease of Properties by Fuyao Europe GmbH, a Wholly-Owned Subsidiary of the Company, from Global Cosmos German Limited was considered and approved at the sixteenth meeting of the eighth session of the Board of Directors convened on October 25, 2017. Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, shall lease all the standard plants with a total area of 57,809.95 square meters (including a road area of 29,518.30 square meters), which is owned by Global Cosmos German Limited, for a term from January 1, 2018 to December 31, 2029. The annual rent for the first year is €2.9 million (tax inclusive) and from the second year onwards, the annual rent shall increase progressively at 2.5% for each year.

The Resolution in Relation to the 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 back office facilities including staff dormitory and cafeteria, training center of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I of Yaohua Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a total area of 158,325.65 square meters from Yaohua Industrial Village 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.

Inquiry index

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

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Leasing of Property dated October 29, 2021 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the Securities Daily and on the website of the SSE (<http://www.sse.com.cn>), and the Announcement on Renewal of the 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 VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Description of the matter	Inquiry index
The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 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.	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 the website of the SSE (http://www.sse.com.cn).

Connected transactions in relation to the daily operations in the first half of 2022 are as below (having been disclosed in interim announcements):

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Nature of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated amounts in 2022	Actual amounts in the first half of 2022	Percentage of amount of the same type of transactions (%)	Settlement method of the connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Purchase of goods	Procurement of raw and auxiliary materials	Market price	12,000.00	4,477.64	22.92	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	15,060.17	77.08	60 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sales of goods	Sale of raw and auxiliary materials	Market price	20.00	0	0	
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sales of goods	Sale of raw and auxiliary materials	Market price	300.00	0.32	100	30 days upon the invoice date

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Connected party	Connected relationship	Nature of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated amounts in 2022	Actual amounts in the first half of 2022	Percentage of amount of the same type of transactions (%)	Settlement method of the connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	130.00	74.71	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	148.41	81.48	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	33.74	18.52	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 profit	600.00	238.85	99.75	Next month upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Acceptance of labor services from connected persons	Acceptance of labor services	Market price	5.00	0.60	0.25	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflows	Revenue from leasing of iron frames	Market price	10.00	12.56	100	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other outflows	Expenditures incurred for leasing of iron frames	Market price	20.00	4.64	100	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	3,324.84	1,641.15	56.28	Payment of the rent for the next year between December and January of the following year
Global Cosmos German Limited	Others	Other outflows	Leasehold property	Market price	2,283.61	956.83	32.81	Payment of the rent for the year before June 30
Total					44,073.45	22,649.62		

Note: The actual amount of revenue from leasing of iron frames between the Company and Jinken Glass Industry Shuangliao Co., Ltd. exceeded the estimated amount. However, as the exceeded amount is relatively small, it is not required to be submitted to the Board of Directors of the Company for consideration and approval in accordance with the relevant provisions of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Articles of Association.

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

2. Matters not disclosed in interim announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Nature of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Amounts of the connected transaction	Percentage of amount of the same type of transactions (%)	Settlement method of the connected transaction
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Leasing	Leasing of property	Market price	318.00	10.91	Payment of the rent on the first day of each month
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Water, electricity, gas and other utility expenses (purchase)	Purchase of water and electricity	Market price	2.77	100	30 days upon the invoice date
Total				/	320.77	/	

Note to the connected transaction

As the amounts of the transactions conducted between the Company 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 Securities 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 exempt from 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 a 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.

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Amounts due to or from connected parties

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

The Resolution in Relation to Provision of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and its Domestic Subsidiaries and the Resolution in Relation to Provision of Guarantees of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and the Connected Transactions were considered and approved at the twelfth meeting of the eighth session of the Board of Directors of the Company on February 24, 2017, and the Resolution in Relation to Provision of Guarantees of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and the Connected Transactions was considered and approved at the 2016 annual general meeting on April 26, 2017, which approved the Company and its domestic subsidiaries to grant a loan to Jinken Glass Industry Shuangliao Co., Ltd. (“Jinken Glass”), with a limit of not more than RMB90,000,000, a term of not more than 24 months, and an interest rate not less than the benchmark interest rate of RMB loans offered by financial institutions as published by the 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 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 the steady supply of raw materials to the Company as soon as possible, the Company adjusted the limit of loans granted by the Company and its subsidiaries in the PRC to Jinken Glass from not more than RMB90,000,000 to not more than RMB190,000,000, with a term of not more than 24 months and an interest rate not less than the benchmark interest rate of RMB loans offered by financial institutions as published by the People’s Bank of China for the corresponding period. The relevant resolution had been considered and approved at the fifteenth meeting of the eighth session of the Board held on August 4, 2017. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loan to Connected Parties dated August 5, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (<http://www.sse.com.cn>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Amounts due to or from connected parties (Continued)

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

Before the expiry of loan term, Jinken Glass made a request to the Company for extending the term of the loans due to its financial constraints. On March 15, 2019, the Board of Directors of the Company agreed to extend the term of the above-mentioned related loans to August 15, 2021 upon consideration and approval at the ninth meeting of the ninth session of the Board of Directors of the Company. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Extension of the Repayment Term of Connected Loans dated March 16, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (<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 for extending the term of the loans and modifying interest rate of loans due to its financial constraints. Considering that Jinken Glass can provide a stable supply of raw materials for the Company in the future, on June 17, 2021, the Board of Directors of the Company agreed to extend the term of the above-mentioned related loans to August 31, 2023 upon consideration and approval at the fifth meeting of the tenth session of the Board of Directors of the Company, with an interest rate being fixed at 3.85%, the loan prime rate (LPR) published by the National Interbank Funding Centre as authorized by the People's Bank of China.

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Extension of the Repayment Term of Connected Loans 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 RMB37,270,000.

Section VI Significant Events

V. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

1. Material guarantees completed and not yet completed during the Reporting Period

Unit: 0'000 Currency: RMB

External guarantees of the Company (excluding guarantees to subsidiaries)

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

Guarantees of the Company to subsidiaries

Total amount of the guarantees to subsidiaries during the Reporting Period	0
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	43,624.10

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

Including:	
Total amount of guarantees (A+B)	43,624.10
Total amount of guarantees as a percentage of the net assets of the Company (%)	1.64
Including:	
The amount of guarantees offered to the shareholders, de facto controller and connected parties (C)	0
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	0
The amount of guarantees in excess of 50% of net assets (E)	0
The sum of the three items above (C+D+E)	0

Explanation on guarantee

Foreign currencies are translated into RMB based on the exchange rates announced by the People's Bank of China on June 30, 2022

Section VII Changes in Shares and Information of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

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

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

As at June 30, 2022, total number of shareholders of the Company was 178,228, of which, 178,183 were holders of A shares and 45 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	178,228
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0

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

Unit: Share

Name of shareholder (Full name)	Increase/decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage (%)	Particulars of top 10 shareholders		Nature of shareholders
				Number of shares held with selling restrictions	Pledged, charged or moratorium Status of shares Number	
HKSCC NOMINEES LIMITED <i>(Note)</i>	-400	595,873,959	22.83		Unknown	Unknown
Sanyi Development Limited	0	390,578,816	14.97		Nil	Overseas legal person
Hong Kong Securities Clearing Company Limited	75,691,543	280,654,402	10.75		Unknown	Unknown
Heren Charitable Foundation	-19,776,000	169,512,888	6.50		Nil	Domestic non state-owned legal person
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)	0	45,104,281	1.73		Unknown	Unknown
Bai Yongli	0	34,653,315	1.33		Unknown	Unknown
China Securities Finance Corporation Limited	0	28,095,485	1.08		Unknown	Unknown
Fujian Yaohua Industrial Village Development Co., Ltd.	0	24,077,800	0.92		Nil	Domestic non state-owned legal person
Li Haiqing	0	21,922,059	0.84		Unknown	Unknown
Li Fuqing	0	20,561,966	0.79		Unknown	Unknown

Section VII Changes in Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED ^(注)	595,873,959	Overseas listed foreign shares	595,873,959
Sanyi Development Limited	390,578,816	Ordinary shares denominated in RMB	390,578,816
Hong Kong Securities Clearing Company Limited	280,654,402	Ordinary shares denominated in RMB	280,654,402
Heren Charitable Foundation	169,512,888	Ordinary shares denominated in RMB	169,512,888
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 for the Administration of Acquisition of Listed Companies.		

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

Section VII Changes in Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

As at June 30, 2022, the interests and short positions of directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, (a) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Hong Kong Listing Rules, were as follows:

Name	Capacity/nature of interest	Number of shares interested	Percentage of total issued share capital of the relevant class of shares ⁽³⁾ (%)	Percentage of total issued share capital of the Company ⁽³⁾ (%)	Class of shares
Cho Tak Wong (an executive director and the chairman) ⁽¹⁾	Beneficiary owner/interest of spouse/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) ⁽²⁾	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 calculated based on the number of the relevant class of issued shares or the total issued shares of the Company as at June 30, 2022.
- (4) (L) – long position.

Save as disclosed above, as at June 30, 2022, none of the 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 VII Changes in Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

As at June 30, 2022, 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 ⁽³⁾ (%)	Percentage of total issued share capital of the Company ⁽³⁾ (%)	Class of shares
Chan Fung Ying ⁽¹⁾	Interest of spouse/ 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	169,512,888(L)	8.46(L)	6.50(L)	A share
Blackrock, Inc. ⁽²⁾	Interest of controlled corporation	31,409,034(L) 294,800(S)	5.18(L) 0.05(S)	1.20(L) 0.01(S)	H share
Citigroup Inc. ⁽³⁾	Interest of controlled corporation/approved lending agent	47,916,107(L) 194,135(S) 47,572,746(P)	7.89 (L) 0.03 (S) 7.84 (P)	1.84(L) 0.01(S) 1.82(P)	H share
JPMorgan Chase & Co. ⁽⁴⁾	Interest of controlled corporation/investment manager/secured equity holders/ approved lending agent	82,601,839(L) 6,038,506(S) 9,374,792(P)	13.61(L) 0.99(S) 1.54(P)	3.17(L) 0.23(S) 0.36(P)	H share
Schroders PLC ⁽⁵⁾	Investment manager	30,340,800(L)	5.00(L)	1.16(L)	H share

Section VII Changes in Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

Notes:

- (1) Ms. Chan Fung Ying indirectly holds 24,077,800 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd.. 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 31,409,034 H shares (L) and 294,800 H shares (S) through several controlled entities, of which 195,600 H shares (L) and 276,000 H shares (S) were related to the unlisted derivatives – cash settled.
- (3) Citibank, N.A., Citigroup Global Markets Hong Kong Limited and Citigroup Global Markets Limited, controlled entities of Citigroup Inc., hold a total of 47,916,107 H shares (L), 194,135 H shares (S) and 47,572,746 H shares (P), of which 42,135 H shares (S) were related to the unlisted derivatives – physically settled, 10,000 H shares (L) and 28,800 H shares (S) were related to the unlisted derivatives – cash settled.
- (4) JPMorgan Chase & Co. holds 82,601,839 H shares (L), 6,038,506 H shares (S) and 9,374,792 H shares (P) of the Company through several controlled entities, of which, 2,000 H shares (S) were related to the listed derivatives – cash settled, 4,435,200 H shares (L) and 827,565 H shares (S) were related to the unlisted derivatives – cash settled.
- (5) Schroders PLC holds 30,340,800 H shares (L), of which 222,400 H shares (L) were related to the unlisted derivatives – cash settled.
- (6) The percentage is calculated based on the number of the relevant class of issued shares or the total issued shares of the Company as at June 30, 2022.
- (7) (L)—long position, (S)—short position, (P)—lending pool.

Save as disclosed above, as at June 30, 2022, no person had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Section VII Changes in Shares and Information of Shareholders

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: Share

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

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

Section VII Changes in Shares and Information of Shareholders

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 directors of the Company are as follows:

1. Ms. Zhu Dezhen, a non-executive director of the Company, resigned as an independent non-executive director of Bright Dairy Co., Ltd. (光明乳業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600597) on June 28, 2022.
2. Mr. Qu Wenzhou, an independent non-executive director of the Company, was appointed as an independent non-executive director of Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 00914) on May 31, 2022.
3. Mr. Chen Mingsen, supervisor of the Company, resigned as an independent non-executive director of Fujian Nanping Sun Cable Co., Ltd. (福建南平太陽電纜股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002300) on April 28, 2022.

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

Section VIII Relevant Information 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 Glass prevention and control bonds	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	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	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	Principal and interest will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
Fourth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP004	012281353	April 6, 2022	April 8, 2022	September 28, 2022	30,000	2.27	Principal and interest will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
Fifth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP005	012281631	April 24, 2022	April 26, 2022	October 20, 2022	40,000	2.19	Principal and interest will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
Sixth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP006	012282511	July 15, 2022	July 18, 2022	December 28, 2022	30,000	1.95	Principal and interest will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
Seventh tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP007	012283018	August 24, 2022	August 25, 2022	February 16, 2023	40,000	1.76	Principal and interest will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No

Section VIII Relevant Information on Bonds

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(I) Debt financing instruments of non-financial enterprises in inter-bank bond market (Continued)

2. Adjustment of credit rating results

According to the comprehensive assessment by China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司), the Company's corporate credit rating was rated as AAA and the credit ratings of the medium-term notes and bonds issued by the Company were rated as AAA, indicating that the Company had a strong ability to repay debts and minimal risk of default, and was less likely to be impacted by adverse economic environment.

On June 8, 2022, China Chengxin International Credit Rating Company Limited carried out a follow-up credit assessment of the afore-mentioned two tranches of medium-term notes. According to the final determination of the China Chengxin International Credit Rating Committee, the corporate credit rating of the Company remained as AAA. Due to stable prospects of the credit rating, the credit rating of the current corporate bonds remains as AAA.

For details of relevant follow-up rating report, please refer to the 2022 Follow-up Rating Report of Fuyao Glass Industry Group Co., Ltd. dated June 8, 2022 as published on the websites of China Money (<http://www.chinamoney.com.cn>) and Shanghai Clearing House (<http://www.shclearing.com>) and the same report dated June 8, 2022 as published on the official website of China Chengxin Securities Rating Co., Ltd. (<http://www.ccxi.com.cn/>).

Section VIII Relevant Information on Bonds

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(I) Debt financing instruments of non-financial enterprises in inter-bank bond market (Continued)

3. 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 capital 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 revenue of RMB12,903,699,000, representing an increase of 11.79% as compared with the corresponding period last year; the profit before tax amounted to RMB2,669,215,000, representing an increase of 28.60% as compared with the corresponding period last year; the profit for the period attributable to the Company amounted to RMB2,381,629,000, representing an increase of 34.63% as compared with the corresponding period last year; the earnings per share was RMB0.91, representing an increase of 30.00% as compared with the corresponding period last year. If the impact of exchange loss and gain, year-on-year appreciation of the RMB, year-on-year rise in prices of soda ash, sea freight and energy during the Reporting Period was excluded, the profit before tax during the Reporting Period increased by 11.88% as compared with the corresponding period last year.

(3) Implementation of repayment assurance measures

The Company formulated the following four debt 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 VIII Relevant Information on Bonds

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(II) Principal accounting data and financial indicators (prepared in accordance with the China Accounting Standards for Business Enterprises)

Main indicators	At the end of the Reporting Period	At the end of last year	Increase/decrease at the end of the Reporting Period as compared to the end of last year (%)	Reasons for change
Current ratio ⁽¹⁾	1.57	1.68	-6.55	
Quick ratio ⁽²⁾	1.29	1.38	-6.52	
Gearing ratio ⁽³⁾	44.99%	41.29%	3.70	
	Reporting Period (January-June 2022)	Corresponding period last year	Increase/decrease of the Reporting Period as compared with the corresponding period last year (%)	Reasons for change
Net Profit after non-recurring profit or loss	RMB2,310,302,908	RMB1,661,741,340	39.03	Mainly due to the increase in profit before tax during the Reporting Period
Total debt to EBITDA ratio ⁽⁴⁾	0.25	0.25	-	
Interest coverage ratio ⁽⁵⁾	17.90	13.54	32.20	Mainly due to the increase in profit before tax during the Reporting Period
Cash interest coverage ratio ⁽⁶⁾	21.51	20.64	4.22	
EBITDA interest coverage ratio ⁽⁷⁾	25.61	20.30	26.16	
Loan repayment ratio (%) ⁽⁸⁾	100%	100%	-	
Interest repayment ratio (%) ⁽⁹⁾	100%	100%	-	

Section VIII Relevant Information on Bonds

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(II) Principal accounting data and financial indicators (prepared in accordance with the China Accounting Standards for Business Enterprises) (Continued)

- (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 IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Balance Sheet

	<i>Note</i>	As at June 30, 2022 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	17,461,554	16,990,990
Right-of-use assets	7	562,226	595,393
Land use rights	8	1,010,094	995,398
Intangible assets	9	347,211	338,612
Investments in joint ventures	10	47,099	43,478
Investments in an associate	10	196,331	185,346
Financial assets at fair value through other comprehensive income	13	69,321	69,321
Deferred income tax assets	11	421,792	432,929
Other non-current assets	12	353,686	461,516
		20,469,314	20,112,983
Current assets			
Inventories		4,929,456	4,327,048
Trade and other receivables	12	4,749,769	4,908,366
Financial assets at fair value through profit or loss	13	7,632	6,320
Financial assets at fair value through other comprehensive income	13	1,166,750	1,114,012
Restricted cash		2,050	2,034
Cash and cash equivalents		16,930,060	14,325,322
		27,785,717	24,683,102
Total assets		48,255,031	44,796,085

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Balance Sheet (Continued)

	<i>Note</i>	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	14	2,609,744	2,609,744
Share premium	15	9,680,392	9,680,392
Other reserves	15	3,245,068	2,770,394
Retained earnings		11,028,564	11,256,678
		26,563,768	26,317,208
Non-controlling interests		(13,293)	(11,912)
Total equity		26,550,475	26,305,296
Liabilities			
Non-current liabilities			
Borrowings	16	2,626,000	2,337,718
Lease liabilities	7	451,395	507,683
Long-term payables	17	62,793	69,424
Deferred income tax liabilities	11	181,740	179,500
Deferred income on government grants	18	668,193	677,683
		3,990,121	3,772,008
Current liabilities			
Trade and other payables	19	5,388,704	5,248,131
Contract liabilities		876,415	863,737
Current income tax liabilities		209,961	246,668
Borrowings	16	11,122,921	8,250,722
Derivative financial instruments	13	3,868	–
Lease liabilities due within one year		107,539	104,797
Long-term payables due within one year		5,027	4,726
		17,714,435	14,718,781
Total liabilities		21,704,556	18,490,789
Total equity and liabilities		48,255,031	44,796,085

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Income Statement

	<i>Note</i>	Accumulated in June 2022 RMB'000 (Unaudited)	Accumulated in June 2021 RMB'000 (Unaudited)
Revenue	20	12,903,699	11,543,168
Cost of sales	20	(8,594,733)	(7,369,206)
Gross profit		4,308,966	4,173,962
Distribution costs and selling expenses		(615,215)	(553,071)
Administrative expenses		(1,002,616)	(938,050)
Research and development expenses		(557,462)	(472,079)
Other income		103,330	100,459
Other gains/(loss) – net	21	484,991	(166,902)
Net impairment losses on financial assets		1,097	(303)
Operating profit	22	2,723,091	2,144,016
Finance income		89,466	84,231
Finance costs		(157,948)	(158,849)
Finance costs–net		(68,482)	(74,618)
Share of net profit of joint venture/associate		14,606	6,249
Profit before tax		2,669,215	2,075,647
Income tax expense	23	(288,967)	(308,903)
Profit for the period		2,380,248	1,766,744
Profit attributable to:			
Owners of the Company		2,381,629	1,768,984
Non-controlling interests		(1,381)	(2,240)
Profit for the period		2,380,248	1,766,744
Earnings per share attributable to the ordinary equity holders of the Company during the period			
– Basic and diluted earnings per share (expressed in RMB per share)	24	0.91	0.70

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Comprehensive Income

	<i>Note</i>	Accumulated in June 2022 RMB'000 (Unaudited)	Accumulated in June 2021 RMB'000 (Unaudited)
Profit for the period		2,380,248	1,766,744
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		474,674	(30,671)
Other comprehensive income/(loss) for the period, net of tax		474,674	(30,671)
Total comprehensive income for the period		<u>2,854,922</u>	<u>1,736,073</u>
Total comprehensive income attributable to:			
Owners of the Company		2,856,303	1,738,313
Non-controlling interests		<u>(1,381)</u>	<u>(2,240)</u>
Total comprehensive income for the period		<u>2,854,922</u>	<u>1,736,073</u>

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company				Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
As at January 1, 2022	2,609,744	9,680,392	2,770,394	11,256,678	26,317,208	(11,912)	26,305,296
Comprehensive income:							
Profit for the period	-	-	-	2,381,629	2,381,629	(1,381)	2,380,248
Other comprehensive income:							
Currency translation differences	-	-	474,674	-	474,674	-	474,674
Total comprehensive income	-	-	474,674	2,381,629	2,856,303	(1,381)	2,854,922
Total transaction with equity holders:							
Dividends declared for 2021	-	-	-	(2,609,743)	(2,609,743)	-	(2,609,743)
Total transaction with equity holders, recognized directly in equity	-	-	-	(2,609,743)	(2,609,743)	-	(2,609,743)
Appropriation to statutory reserve	-	-	-	-	-	-	-
As at June 30, 2022	2,609,744	9,680,392	3,245,068	11,028,564	26,563,768	(13,293)	26,550,475

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Changes in Equity (Continued)

	Attributable to owners of the Company				Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
As at January 1, 2021	2,508,618	6,202,553	2,577,798	10,317,255	21,606,224	(3,610)	21,602,614
Comprehensive income:							
Profit for the period	-	-	-	1,768,984	1,768,984	(2,240)	1,766,744
Other comprehensive income:							
Currency translation differences	-	-	(30,671)	-	(30,671)	-	(30,671)
Total comprehensive income	-	-	(30,671)	1,768,984	1,738,313	(2,240)	1,736,073
Total transaction with equity holders:							
Proceeds from placement of additional H shares	101,126	3,477,850	-	-	3,578,976	-	3,578,976
Dividends declared for 2020	-	-	-	(1,957,308)	(1,957,308)	-	(1,957,308)
Total transaction with equity holders, recognized directly in equity	101,126	3,477,850	-	(1,957,308)	1,621,668	-	1,621,668
Appropriation to statutory reserve	-	-	-	-	-	-	-
As at June 30, 2021	2,609,744	9,680,403	2,547,127	10,128,931	24,966,205	(5,850)	24,960,355

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Cash Flow Statement

<i>Note</i>	Accumulated in June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	Accumulated in June 2021 <i>RMB'000</i> <i>(Unaudited)</i>
Cash flow from operating activities		
Cash generated from operations	3,192,100	3,481,377
Income taxes paid	(323,956)	(316,621)
Net cash generated from operating activities	2,868,144	3,164,756
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	34,900	45,271
Proceeds from disposal of intangible assets and land use rights	—	858
Purchases of property, plant and equipment	(1,330,964)	(1,070,050)
Purchase of land use rights	(26,574)	—
Purchase of intangible assets	(28,742)	(23,423)
Receipt of payment relating to financial instruments at fair value through profit or loss	3,868	300,000
Purchase of financial assets at fair value through other comprehensive income – net	—	(11,321)
Interest received	89,466	113,303
Receipt of certain repayment of borrowings from associates	107,830	—
Increase in restricted cash	(16)	(1)
Government grants received relating to property, plant and equipment	31,690	8,470
Net cash used in investing activities	(1,118,542)	(636,893)
Cash flow from financing activities		
Net proceeds of additional H shares	—	3,578,976
Proceeds from borrowings	8,642,926	5,579,347
Repayments of borrowings	(5,471,756)	(3,905,020)
Dividends paid to the Company's shareholders	(2,557,935)	(1,023,886)
Interest paid	(161,554)	(181,971)
Payment of lease liabilities	(86,868)	(87,313)
Net cash generated from financing activities	364,813	3,960,133
Net increase in cash and cash equivalents	2,114,415	6,487,996
Cash and cash equivalents at the beginning of the period	14,325,322	8,807,952
Exchange gains/(losses) on cash and cash equivalents	490,323	(71,464)
Cash and cash equivalents at the end of the period	16,930,060	15,224,484

Section IX Financial Report

II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

Fuyao Glass Industry Group Co., Ltd. (the “Company”) was restructured in 1991 and incorporated in Fuzhou City, Fujian Province, People’s Republic of China (the “PRC”) in June 1992. Its headquarters is located in Fuqing City, Fujian Province.

The Company’s shares have been listed on both the Shanghai Stock Exchange (“A shares”) and the Main Board of the Hong Kong Stock Exchange (“H shares”). As at June 30, 2022, 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), the largest shareholder, together with 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 for automobile and float glass.

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

The condensed consolidated interim financial statements are unaudited, and were approved to be issued by the Board of Directors on 30 August 2022.

2. Accounting Policies

The condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared on a 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.

During the Reporting Period, the accounting policies adopted by the Group are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended December 31, 2021. The Group has not early adopted any new accounting and financial reporting standards, amendments and improvements to existing standards which have been issued but are not yet effective for the financial year ended December 31, 2022.

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

Section IX Financial Report

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

3. Financial Risk Management

3.1 Financial risk factors

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

The Condensed Consolidated Interim Financial Statements do not include all the information on financial risk management and disclosure required to be disclosed in the annual financial statements. There have been no changes in the risk management department or in any risk management policies since year end 2021.

3.2 Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at June 30, 2022					
Borrowings, including interest payables	11,249,872	1,093,199	1,619,115	–	13,962,186
Long-term payables	8,026	8,026	24,078	48,157	88,287
Lease liabilities	107,170	111,244	246,238	137,124	601,776
Derivative financial instruments	3,868	–	–	–	3,868
Financial liabilities included in trade payables and other payables	4,889,870	–	–	–	4,889,870
	<u>16,258,806</u>	<u>1,212,469</u>	<u>1,889,431</u>	<u>185,281</u>	<u>19,545,987</u>

Section IX Financial Report

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

3. Financial Risk Management (Continued)

3.2 Liquidity risk (Continued)

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at June 30, 2021					
Borrowings, including interest payables	8,081,154	3,378,742	203,416	–	11,663,312
Long-term payables	8,026	8,026	24,078	56,183	96,313
Lease liabilities	57,070	51,442	206,544	256,275	571,331
Derivative financial instruments	4,625	–	–	–	4,625
Financial liabilities included in trade payables and other payables	5,008,697	–	–	–	5,008,697
	<u>13,159,572</u>	<u>3,438,210</u>	<u>434,038</u>	<u>312,458</u>	<u>17,344,278</u>

3.3 Fair value estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at June 30, 2022 and December 31, 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 (Level 1) that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data, and such asset or liability is the third level.

Section IX Financial Report

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

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at June 30, 2022				
Assets				
Financial assets at fair value through profit or loss				
– Held-for-trading equity instrument investment	7,632	–	–	7,632
Financial assets at fair value through other comprehensive income				
– Notes receivable	–	–	1,166,750	1,166,750
– Unlisted equity securities	–	–	69,321	69,321
	<u>7,632</u>	<u>–</u>	<u>1,236,071</u>	<u>1,243,703</u>
Liabilities				
Derivative financial instruments				
– Short call on foreign exchange	–	–	3,868	3,868
	<u>–</u>	<u>–</u>	<u>3,868</u>	<u>3,868</u>

- (a) The table below analyses the Group's financial instruments carried at fair value as at June 30, 2022 and December 31, 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 (Continued):

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2021				
Assets				
Financial assets at fair value through profit or loss				
– Held-for-trading equity instrument investment	6,320	–	–	6,320
Financial assets at fair value through other comprehensive income				
– Notes receivable	–	–	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 IX Financial Report

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

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

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

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

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

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.

Section IX Financial Report

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

4. Critical Accounting Estimates and Judgements (Continued)

(b) Net realisable value of inventories

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

(c) Current and deferred income tax

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

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

(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.

(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.

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

5. Segment Information

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

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

6. Plant, Equipment and Property

	Buildings and freehold land RMB'000	Machinery and equipment RMB'000	Electronic and office equipment RMB'000	Tools, moulds, vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
For the six-month period ended June 30, 2022						
Opening net book amount as at January 1, 2022	5,207,656	7,654,983	1,631,686	519,848	1,976,817	16,990,990
Transfer	72,473	312,349	230,803	577	(616,202)	–
Other additions	29,125	54,898	25,902	183,164	1,042,788	1,335,877
Disposals	(8,009)	(35,557)	(15,882)	(11,624)	–	(71,072)
Depreciation	(192,442)	(518,378)	(243,157)	(170,374)	–	(1,124,351)
Currency translation difference	171,031	128,131	9,149	554	21,245	330,110
Closing net book amount as at June 30, 2022	5,279,834	7,596,426	1,638,501	522,145	2,424,648	17,461,554

	Buildings and freehold land RMB'000	Machinery and equipment RMB'000	Electronic and office equipment RMB'000	Tools, moulds, vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
For the six-month period ended June 30, 2021						
Net book amount as at January 1, 2021	5,238,634	7,477,475	1,537,097	507,417	2,354,298	17,114,921
Transfer	171,486	251,327	161,135	374	(584,322)	–
Other additions	31,037	38,197	100,308	115,121	812,710	1,097,373
Disposals	(11,614)	(83,338)	(5,744)	(11,253)	–	(111,949)
Depreciation	(169,246)	(493,513)	(227,300)	(131,330)	–	(1,021,389)
Currency translation difference	(22,550)	(44,933)	(5,295)	(166)	(9,580)	(82,524)
Closing net book amount as at June 30, 2021	5,237,747	7,145,215	1,560,201	480,163	2,573,106	16,996,432

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

7. Leases

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

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Opening net book amount	595,393	607,069
Additions	33,946	6,408
Depreciation	(59,738)	(59,624)
Deduction	(837)	–
Currency translation difference	(6,538)	(20,009)
Closing net book value	<u>562,226</u>	<u>533,844</u>

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

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
	Current portion	107,539
Non-current portion	451,395	507,683
	<u>558,934</u>	<u>612,480</u>

8. Land Use Rights

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

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Opening net book value	995,398	1,020,870
Currency translation difference	621	(159)
Additions	26,574	–
Amortisation charges	(12,499)	(12,538)
Closing net book value	<u>1,010,094</u>	<u>1,008,173</u>

Section IX Financial Report

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

9. Intangible Assets

	Goodwill RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
For the six-month period ended June 30, 2022							
Opening net book amount as at January 1, 2022	154,941	–	18,835	41,310	115,541	7,985	338,612
Currency translation difference	–	–	938	38	–	(1)	975
Additions	–	–	–	27,765	–	977	28,742
Disposals	–	–	–	–	–	–	–
Amortisation charges	–	–	(1,645)	(14,989)	(3,801)	(683)	(21,118)
Closing net book amount as at June 30, 2022	154,941	–	18,128	54,124	111,740	8,278	347,211

	Goodwill RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
For the six-month period ended June 30, 2021							
Net book amount as at January 1, 2021	154,941	1,587	22,551	46,013	113,651	8,732	347,475
Currency translation difference	–	–	(214)	(140)	–	(6)	(360)
Additions	–	–	–	12,892	10,112	419	23,423
Disposals	–	–	–	(99)	–	(858)	(957)
Amortisation charges	–	(813)	(1,631)	(16,952)	(3,594)	(580)	(23,570)
Closing net book amount as at June 30, 2021	154,941	774	20,706	41,714	120,169	7,707	346,011

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

10. Investments Under the Equity Method

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Joint Venture		
Opening balance	43,478	42,205
Share of results	3,621	3,518
Closing balance	47,099	45,723

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Associate		
Opening balance	185,346	164,544
Share of results	10,985	2,731
Closing balance	196,331	167,275

11. Deferred Income Tax Assets and Liabilities

Movement in deferred income tax assets and liabilities during the Relevant Periods is as follows:

	Deferred income tax assets RMB'000	Deferred income tax liabilities RMB'000
As at January 1, 2022	934,628	681,199
Recognised in the consolidated income statement	16,305	29,682
Effect of movements in exchange rates	27,120	27,120
As at June 30, 2022	978,053	738,001
Offsetting deferred income tax liabilities/deferred income tax assets	(556,261)	(556,261)
Net balance after offsetting as at June 30, 2022	421,792	181,740

Section IX Financial Report

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

11. Deferred Income Tax Assets and Liabilities (Continued)

	Deferred income tax assets RMB'000	Deferred income tax liabilities RMB'000
As at January 1, 2021	1,010,658	685,733
Recognised in the consolidated income statement	(24,911)	10,146
Effect of movements in exchange rates	(4,892)	(4,892)
As at June 30, 2021	980,855	690,987
Offsetting deferred income tax liabilities/deferred income tax assets	(490,139)	(490,139)
Net balance after offsetting as at June 30, 2021	490,716	200,848

12. Trade and Other Receivables

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Trade receivables due from third parties (Note(a)):		
Notes receivables	113,686	38,888
Trade receivables	4,160,061	4,323,196
Less: Provision for impairment	(11,969)	(11,962)
Trade receivables – net	4,261,778	4,350,122
Other receivables due from third parties:		
Other receivables	447,437	476,364
Less: Provision for impairment	(4,984)	(6,109)
Other receivables – net	442,453	470,255
Amount due from related parties (Note 27(c)):		
Other receivables (Note 27(c) (i))	40,174	146,728
Prepayments (Note 27(c) (ii))	–	10
	40,174	146,738
Others:		
Prepayments	236,248	238,950
Prepaid current income tax and value-added tax recoverable and refundable	122,802	163,817
	359,050	402,767
Trade and other receivables	5,103,455	5,369,882
Less: Non-current portion of amount of other receivables (i)	(316,416)	(316,416)
Non-current portion of amount due from related parties (ii)	(37,270)	(145,100)
Trade and other receivables – net	4,749,769	4,908,366

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

12. Trade and Other Receivables (Continued)

- (i) The amount 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. Taiyuan Jinnuo had made many requests to the Company for deferred payments. As considered and approved by the Board of Directors of the Company on June 17, 2021, Taiyuan Jinnuo was permitted to make the payment before June 30, 2024. 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. For details, please refer to "(X) Material disposal of assets and equities" of "IV. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD" under "Section III Management Discussion and Analysis".

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. The Company recognised the corresponding loss allowance according to the expected credit loss rate within lifetime.

- (ii) The amount 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. For details, please refer to "(II) Amounts due to or from connected parties" of "IV. SUBSTANTIAL CONNECTED TRANSACTIONS" under "Section VI Significant Events".
- (a) Trade receivables, including notes receivables and trade receivables, are arising from sales of products. The credit period granted to customers is ranging from 1 month to 4 months. No interest is charged on the overdue trade receivables. The ageing analysis of trade receivables based on invoice date before provision for impairment as at June 30, 2022 and December 31, 2021 was as follows:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Trade receivables – gross		
Within 3 months	3,974,486	4,092,663
3 to 6 months	258,490	220,990
6 to 12 months	25,743	36,839
Over 1 year	15,028	11,592
	<hr/>	<hr/>
Total	4,273,747	4,362,084

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

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

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Financial assets at fair value through profit or loss		
Current assets		
– Equity instrument investment – held for trading (a)	7,632	6,320
Derivative financial instruments		
Current liabilities		
– Short call on foreign exchange (b)	3,868	–
Financial assets at fair value through other comprehensive income		
Non-current assets		
– Unlisted equity securities (c)	69,321	69,321
Current assets		
– Note Receivable (d)	1,166,750	1,114,012

(a) The held-for-trading equity instrument investment shares are the distribution of customer debt restructuring obtained by subsidiaries and the fair value of the held-for-trading equity instrument investment were determined based on the closing price of the Stock Exchange on the last trading day during the Reporting Period.

(b) As of June 30, 2022, the Group had foreign currency option contracts with an aggregate notional amount of US\$80,000,000 converted from U.S. dollars to RMB. The foreign currency option contracts have an agreed maturity rate of 6.7000 and will expire on December 20, 2022.

(c) 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".

(d) 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 assets at fair value through other comprehensive income.

Section IX Financial Report

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

14. Share Capital

Ordinary shares, issued and fully paid:

	Number of A shares Thousands	Number of H shares Thousands	A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total share capital RMB'000
As at January 1, 2022 and June 30, 2022	2,002,986	606,758	2,002,986	606,758	2,609,744
As at January 1, 2021	2,002,986	505,632	2,002,986	505,632	2,508,618
Additional issuance of H shares (a)	–	101,126	–	101,126	101,126
As at June 30, 2021	2,002,986	606,758	2,002,986	606,758	2,609,744

- (a) On 10 May 2021, the Company completed the issuance of 101,126,000 additional overseas listed foreign investment shares (H Shares) as approved by the Reply on the Approval of the Issuance of Overseas Listed Foreign Investment Shares by Fuyao Glass Industry Group Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1495) from CSRC.

15. Share Premium and Other Reserves

	Share premium	Statutory reserves	Other reserves		Total
			Foreign currency translation differences	Capital reserve	
As at January 1, 2022	9,680,392	3,180,340	(430,305)	20,359	2,770,394
Foreign currency translation differences	–	–	474,674	–	474,674
As at June 30, 2022	9,680,392	3,180,340	44,369	20,359	3,245,068
As at January 1, 2021	6,202,553	2,931,419	(373,980)	20,359	2,577,798
Additional issuance of H shares	3,477,850	–	–	–	–
Foreign currency translation differences	–	–	(30,671)	–	(30,671)
As at June 30, 2021	9,680,403	2,931,419	(404,651)	20,359	2,547,127

Section IX Financial Report

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

16. Borrowings

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

Item	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Non-current	2,626,000	2,337,718
Current	11,122,921	8,250,722
Total borrowings	13,748,921	10,588,440

(a) During the Reporting Period, the Company issued ultra short-term financing bonds 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 which are analysed as follows:

Stock short name	Issue date	Term	Interest rate	Principal (RMB'000)	Carrying amount (RMB'000)
Note-22 Fuyao Glass SCP001	February 17, 2022	180 days	2.35%	400,000	403,322
Note-22 Fuyao Glass SCP002	March 1, 2022	176 days	2.27%	300,000	302,215
Note-22 Fuyao Glass SCP003	March 4, 2022	179 days	2.25%	293,000	295,046
Note-22 Fuyao Glass SCP004	April 6, 2022	173 days	2.27%	300,000	301,540
Note-22 Fuyao Glass SCP005	April 24, 2022	177 days	2.19%	400,000	401,552

(2) Movement in borrowings is analysed as follows:

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Opening net book amount	10,588,440	9,829,723
Additions	8,632,237	5,556,491
Deduction	(5,471,756)	(3,905,020)
Closing net book amount	13,748,921	11,481,194

Section IX Financial Report

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

17. Long-term Payables

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Payables for proceeds from transfer of mining rights	67,820	74,150
Less: Current portion of long-term payables	(5,027)	(4,726)
	<u>62,793</u>	<u>69,424</u>

According to the Interim Measures for the Administration of the Collection of Mining Right Transfer Profits, the Group's quartz sand mine mining rights in Wenchang City, Hainan Province are subject to levy on transfer proceeds. During the Reporting Period, the Group paid RMB8,026,000, (the same period in 2021: RMB7,842,000) and will pay the remaining part annually till 2033.

18. Deferred Income on Government Grants

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
At beginning of the period	677,683	735,790
Government grants received during the year ^(a)	31,690	8,470
Credited to the consolidated income statement	(41,759)	(37,600)
Foreign currency statement translation	579	(142)
	<u>668,193</u>	<u>706,518</u>

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

19. Trade and Other Payables

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Payables to third parties	1,563,965	1,474,466
Notes payable	1,533,398	1,623,268
Staff salaries payables	456,098	530,495
Payables for purchasing of property, plant and equipment	436,251	406,111
Freight payable	317,365	232,273
Amount due to related parties (Note 27(c))	72,469	83,782
Accrued taxes other than income tax	53,308	72,865
Dividends payable	51,808	-
Other payables and accruals	904,042	824,871
	<u>5,388,704</u>	<u>5,248,131</u>

Section IX Financial Report

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

19. Trade and Other Payables (Continued)

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

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Within 3 months	2,311,389	2,343,019
3 to 6 months	759,907	731,778
6 to 12 months	17,767	14,981
Over 1 year	8,300	7,956
	<u>3,097,363</u>	<u>3,097,734</u>

20. Revenue and Cost of Sales

	For the period ended June 30			
	2022		2021	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Automobile glasses	11,703,635	8,299,248	10,366,890	7,143,668
Float glasses	2,058,134	1,478,961	1,936,210	1,222,355
Others	1,089,479	764,073	986,203	749,318
Sub-total	14,851,248	10,542,282	13,289,303	9,115,341
Less: Intra-group sales	(1,947,549)	(1,947,549)	(1,746,135)	(1,746,135)
	<u>12,903,699</u>	<u>8,594,733</u>	<u>11,543,168</u>	<u>7,369,206</u>

21. Other Gains/(Losses) – Net

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Foreign exchange gains/(losses)	508,882	(172,059)
Gains on financial assets at fair value through profit or loss and derivative financial instruments	–	32,359
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	(1,797)	(5,051)
Loss on disposal of note receivable at fair value through other comprehensive income	(1,019)	(9,964)
Loss on disposal of property, plant and equipment	(36,545)	(27,032)
Loss on disposal of intangible assets	–	(99)
Donation	(685)	(964)
Net gain on claim	14,771	54,458
Extraordinary losses	(1,067)	(39,254)
Others	2,451	704
	<u>484,991</u>	<u>(166,902)</u>

Section IX Financial Report

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

22. Operating Profit

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
The following items have been charged to the operating profit during the period:		
Employee benefit expenses	2,400,695	2,133,368
Depreciation of property, plant and equipment (Note 6)	1,124,351	1,021,389
Packing expenses	261,605	226,741
storage and distribution expenses	127,674	122,001
Depreciation of right of use assets (Note 7)	59,738	59,624
Amortisation of intangible assets (Note 9)	21,118	23,570
Amortisation of land use rights (Note 8)	12,499	12,538
Write-down inventories to net realisable value	2,982	2,738

23. Income Tax Expense

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

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Current income tax	275,590	273,846
Deferred income tax (Note 11)	13,377	35,057
Income tax expense	288,967	308,903

(a) PRC corporate income tax

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

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

Section IX Financial Report

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

23. Income Tax Expense (Continued)

(b) Hong Kong profits tax

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

(c) American 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% on the estimated assessable profits for the period. 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 period, so state tax was only paid in some states based on the taxable profits after making up the losses. Other subsidiaries has provided no profit tax due to the unutilized tax losses during the period.

(d) Russian profits tax

Applicable profit tax rate of Russia is 20%. During the period, 50% of the estimated taxable profit for the current period is used to make up the accumulated losses, and the remaining 50% is subject to profit tax at the applicable profit tax rate.

(e) German profits tax

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

The tax on the Group's profit before tax differs from the theoretical amount that could arise from using the statutory tax rates of 10% to 31% applicable as follows:

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Profit before tax	2,669,215	2,075,647
Tax calculated at the applicable income tax rate	711,365	530,805
Tax effect of:		
Expenses not deductible for tax purpose	26,561	2,732
Income not subject to income tax	(5,282)	(2,352)
Preferential income tax rate	(223,763)	(210,386)
Unrecognised tax losses carried forward	34,487	47,704
Unrecognised deductible temporary differences	806	-
Utilisation of previously unrecognised deductible temporary differences	(3,515)	(992)
Utilisation of previously unrecognised tax losses	(167,300)	(5,964)
Withholding taxation on unremitted earnings of certain subsidiaries	2,825	5,602
Others	(87,217)	(58,246)
Income tax expense	<u>288,967</u>	<u>308,903</u>

Section IX Financial Report

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

24. Earnings per Share

- (1) Basic earnings per share is calculated by dividing the profit for the Reporting Period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the relevant period.

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Profit for the Reporting Period attributable to owners of the Company (RMB'000)	2,381,629	1,768,984
Weighted average number of ordinary shares in issue (thousand)	2,609,744	2,525,472
Basic earnings per share (RMB)	0.91	0.70

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

25. Dividends

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Dividends proposed by the Company	—	—

For the period ended June 30, 2022 and June 30, 2021, no dividend of corresponding period was proposed by the directors of the Company.

26. Commitments

(1) Capital commitments

As at June 30, 2022 and December 31, 2021, capital expenditure contracted for but not yet incurred is as follows:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Property, plant and equipment	1,132,391	1,079,745

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

26. Commitments (Continued)

(2) External investment commitments

As considered and approved at the 17th meeting of the 7th session of the Board of Directors of the Company held on October 22, 2013, the Company intended to establish a wholly owned company – “Fuyao Rus Float Glass Co., Ltd.” (provisional name, and the final name subject to the approval by the local company registration authority) in Kaluga, Russia, and planned to invest US\$220 million in the construction of the float glass project. On June 30, 2022, Fuyao Rus Float Glass Co., Ltd. had not yet been established.

(3) Letter of credit commitments

The Group has entrusted banks to open certain letters of credit in respect of customs bonds and purchase of imported equipment. As at June 30, 2022, the outstanding amount under these letters of credit was approximately RMB115,403,000 (December 31, 2021: RMB107,311,000).

27. Related Party Transactions

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business and balances arising from related party transactions during the period ended June 30, 2022 and 2021:

(a) Name of and relationship with related parties

Name of related parties	Relationship
Mr. Cho Tak Wong (曹德旺)	Single largest shareholder
Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司)	Controlled by Ms. Chan Fung Ying (the spouse of Mr. Cho Tak Wong)
Sanyi Development Ltd. (三益發展有限公司)	Shareholder of the Company, which is controlled by the single largest shareholder
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Jointly controlled entity of the Group
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	An entity over which the Group has significant influence
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)	An entity over which the Group has significant influence
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

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

27. Related Party Transactions (Continued)

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

I. Sales of goods, provision of services

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	2,231	1,767
Jinken Glass Industry Shuangliao Co., Ltd.	341	3,127
	<u>2,572</u>	<u>4,894</u>

II. Purchase of goods, services

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	150,608	88,527
Tri-Wall Packaging (Fuzhou) Co., Ltd.	44,776	40,334
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	2,388	2,919
Fujian Fuyao Automotive Glass Distribution Co., Ltd.*	28	—
	<u>197,800</u>	<u>131,780</u>

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

27. Related Party Transactions (Continued)

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

III. Rental income

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	126	34
	126	34

IV. Rent payment

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	32,823	28,509
Global Cosmos German Co., Ltd. *	19,137	20,004
Fujian Fuyao Automotive Glass Distribution Co., Ltd.*	3,180	–
Jinken Glass Industry Shuangliao Co., Ltd.	46	81
	55,186	48,594

Note: The above "Rent payment" refers to the rent actually paid by the Company to the lessor in accordance with the contract. According to the contract, the Company shall pay the rent to Fujian Yaohua Industrial Village Development Co., Ltd. for the next year from December of each year to January of the next year; pay the rent to Global Cosmos German Co., Ltd. for the year before June 30 of each year; pay the rent to Fujian Fuyao Automotive Glass Distribution Co., Ltd. on the first day of each month. Therefore, the rent (tax exclusive) of Fujian Yaohua Industrial Village Development Co., Ltd., Global Cosmos German Co., Ltd. and Fujian Fuyao Automotive Glass Distribution Co., Ltd. undertaken by the Company in the first half of the year amounted to RMB16,412,000, RMB9,568,000 and RMB3,180,000, respectively.

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

27. Related Party Transactions (Continued)

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

V. Increased interest on lease liabilities as a lessee

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	1,180	–
Global Cosmos German Co., Ltd.*	1,045	1,295
Fujian Fuyao Automotive Glass Distribution Co., Ltd.*	577	–
	<u>2,802</u>	<u>1,295</u>

VI. Key management compensation

	For the period ended June 30	
	2022 RMB'000	2021 RMB'000
Salaries, wages and short-term employee benefits	20,366	14,802
Post-employment benefits	217	236
	<u>20,583</u>	<u>15,038</u>

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

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

27. Related Party Transactions (Continued)

(c) Balances with related parties

Amount due from related parties:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Other receivables (i)	40,174	146,728
Prepayments (ii)	—	10
	<u>40,174</u>	<u>146,738</u>

(i) Other receivables:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	37,272	145,115
Tri-Wall Packaging (Fuzhou) Co., Ltd.	371	339
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	2,185	944
Global Cosmos German Co., Ltd.	346	330
	<u>40,174</u>	<u>146,728</u>

(ii) Prepayments:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	—	10
	<u>—</u>	<u>10</u>

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

27. Related Party Transactions (Continued)

(c) Balances with related parties (Continued)

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Trade payables (iii)	37,353	50,489
Other payables (iv)	35,116	33,293
Lease liabilities (v)	225,387	282,420
	<u>297,856</u>	<u>366,202</u>

(iii) Trade payables:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	28,899	42,632
Tri-Wall Packaging (Fuzhou) Co., Ltd.	8,454	7,857
	<u>37,353</u>	<u>50,489</u>

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

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Within 3 months	37,353	50,461
3 to 6 months	—	28
	<u>37,353</u>	<u>50,489</u>

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

27. Related Party Transactions (Continued)

(c) Balances with related parties (Continued)

(iv) Other payables to related parties:

	As at June 30, 2022 <i>RMB'000</i>	As at December 31, 2021 <i>RMB'000</i>
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	33,446	33,293
Global Cosmos German Co., Ltd.	1,670	–
	<u>35,116</u>	<u>33,293</u>

(v) Lease liabilities:

	As at June 30, 2022 <i>RMB'000</i>	As at December 31, 2021 <i>RMB'000</i>
Global Cosmos German Co., Ltd.	138,300	161,087
Fujian Yaohua Industrial Village Development Co., Ltd.	63,265	94,908
Fujian Fuyao Automotive Glass Distribution Co., Ltd.	23,822	26,425
	<u>225,387</u>	<u>282,420</u>

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28. Events after the Balance Sheet Date

On July 15, 2022, the company publicly issued the sixth phase of 2022 ultra short-term financing bonds (referred to as “22 Fuyao Glass SCP006”) in the national inter-bank market and the ultra short-term financing bonds code is 012282511. The total issuance is RMB300,000,000, the term is 166 days, the issue price is RMB100 (RMB100 face value), the issue interest rate is 1.95% (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 July 18, 2022, the payment method was one-off principal and interest payment at maturity.

On August 24, 2022, the company publicly issued the seventh phase of 2022 ultra short-term financing bonds (referred to as “22 Fuyao Glass SCP007”) in the national inter-bank market and the ultra short-term financing bonds code is 012283018. The total issuance is RMB400,000,000, the term is 175 days, the issue price is RMB100 (RMB100 face value), the issue interest rate is 1.76% (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 August 25, 2022, the payment method was one-off principal and interest payment at maturity.