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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)

2019 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Fuyao Glass Industry Group Co., Ltd. (the “**Company**”) is pleased to announce the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2019. This announcement, containing the full text of the 2019 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of the annual results. The Company confirms that there are no significant differences or material accounting adjustments between the audited annual results of the Group for the year ended December 31, 2019 as set out in this announcement and the Group’s unaudited financial data as disclosed in the unaudited annual results announcement of the Company dated March 28, 2020.

Due to the outbreak of the novel coronavirus pneumonia epidemic overseas, the Company’s annual audit work has been delayed, which further results in a delay in the printing of the Company’s 2019 annual report. The Company expects that the printed version of the Company’s 2019 annual report will be dispatched to the holders of H shares of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and of the Company at <http://www.fuyaogroup.com> on or before May 11, 2020.

By order of the Board
Fuyao Glass Industry Group Co., Ltd.
Cho Tak Wong
Chairman

Fuzhou, Fujian, the PRC, April 28, 2020

As of the date of this announcement, the Board of the Company comprises Mr. Cho Tak Wong, Mr. Ye Shu, Mr. Chen Xiangming, as executive directors; Mr. Tso Fai, Mr. Wu Shinong and Ms. Zhu Dezhen, as non-executive directors; Ms. Cheung Kit Man Alison, Ms. Liu Jing and Mr. Qu Wenzhou, as independent non-executive directors.

Important Notice

I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.

II. Directors' absence

Position of absent director	Name of absent director	Reason for absence	Name of proxy
independent non-executive director	Cheung Kit Man Alison	Due to the temporary travel restrictions imposed by the government in response to the spread of COVID-19	Qu Wenzhou
independent non-executive director	Liu Jing	Due to the temporary travel restrictions imposed by the government in response to the spread of COVID-19	Qu Wenzhou

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

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

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

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2019 as shown on the consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB2,898,433,273. As audited by PricewaterhouseCoopers, the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2019 as shown on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards amounted to RMB2,897,868,398.

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit for the year of 2019 as shown on the Company's financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB3,385,981,534; adding the undistributed profits of RMB5,093,427,406 at the beginning of the year of 2019, deducting the distributed profits of RMB1,881,463,149 for the year of 2018, and after appropriating 10% of the net profit of the Company for the year of 2019 to the statutory surplus reserve amounting to RMB338,598,154, the profits distributable to shareholders of the Company as at December 31, 2019 amounted to RMB6,259,347,637.

The profit distribution plan for the year of 2019 as proposed by the Company is as follows: to distribute cash dividends of RMB7.5 per 10 shares (tax inclusive) based on the total share capital of 2,508,617,532 shares of the Company as at December 31, 2019 to holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of cash dividends for the year of 2019, with total dividends to be distributed amounting to RMB1,881,463,149 in total. The undistributed profits of the Company will be carried forward to the following year. The Company will not carry out bonus issue and conversion of capital reserve into share capital for the year of 2019. Cash dividends distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

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

VI. Risks associated with forward-looking statements

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

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

No

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

No

IX. Material risk alert

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

Contents

Section I	Chairman's Statement	2
Section II	Definitions	3
Section III	Corporate Profile and Principal Financial Indicators	4
Section IV	Business Profile	11
Section V	Report of the Board of Directors	13
Section VI	Management Discussion and Analysis	30
Section VII	Significant Events	52
Section VIII	Changes in Ordinary Shares and Information of Shareholders	71
Section IX	Directors, Supervisors, Senior Management and Employees	79
Section X	Company Governance and Corporate Governance Report	95
Section XI	Relevant Information on Corporate Bonds	119
Section XII	Financial Report	126
Section XIII	Business Performance Highlights for the Previous Five Years	228

Section I Chairman's Statement

Dear shareholders,

I am very grateful for your long-term support and care for Fuyao Glass. Entrusted by the Board of Directors, I am pleased to present the 2019 annual report for your review.

In 2019, the global economic growth weakened and the investment scale declined, as trade tensions, financial instability and increased geopolitical uncertainty resulted in the slowdown of global economic growth; China's economy has been weathering increasing economic downward pressure, and particularly, the manufacturing industry was most directly affected by trade frictions, the automobile consumption has obviously grown weak. Since China's automobile industry recorded its first decline over the past 28 years in 2018, the automobile market has shrunk for two consecutive years. In the perplexing economic context, the Company has been committed to addressing both internal and external challenges by: (i) improving itself and strengthening management through continuous research and development and innovation, cost reduction and efficiency improvement, continuous optimization of product structure, quality, sales and service, and enhancement of the Company's core competitiveness; (ii) reinforcing the sense of social responsibility, as we've been staying true and adhering to the main business, insisting on people-oriented management and strengthening corporate governance, complying with discipline and law, performing social responsibilities and protecting and maintaining environment, resources and social benefits; (iii) continuing to promote international development and exploring overseas markets so as to allow more reasonable market structure, as a result of which the company's domestic and overseas market proportions have been optimized to 51.22%: 48.78% in 2019, as US automotive glass operations have continued to improve the efficiency and the internationalization of the Company has yielded notable results; (iv) expanding our presence along the industrial chain and commencing new business, as we acquired SAM to establish our presence in downstream aluminum trim business, and in addition, we acquired Jiangsu Decoration and established Tongliao Refined Aluminum to achieve synergy of upstream and downstream businesses with German Aluminum Decoration and complete our aluminum auto decorative industrial chain.

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB21,103,878,000, representing an increase of 4.35% as compared with the corresponding period last year; realized a profit before tax of RMB3,230,573,000, representing a decrease of 34.89% as compared with the corresponding period last year; realized annual profit attributable to the owners of the Company of RMB2,897,868,000, representing a decrease of 29.66% as compared with the corresponding period last year; and realized earnings per share of RMB1.16, representing a decrease of 29.27% as compared with the corresponding period last year.

The profit before tax for the Reporting Period decreased by 34.89% year-on-year, which was mainly affected by the following: 1. the investment gain for the Reporting Period from the disposal of 75% equity interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd. last year; 2. the negative profit of integrating period of Germany FYSAM auto decorative project; 3. exchange gains and losses; 4. the compensation paid by Fuyao Glass Illinois Inc. due to being accused of breaching the exclusive sales agreement; 5. the increase of American tariff. Based on the above, eliminating the effects of the above incomparable factors, the profit before tax of the Company for the Reporting Period decreased by 7.45% year on year.

In 2020, the economic prospect remains grim, and risks and uncertainties will continue to loom both at home and abroad and the automobile sector is still likely to be confronted with the risk of negative growth. The outbreak of novel coronavirus pneumonia will intensify its impact on the economy and industry, Fuyao will face greater challenges ahead. But we will stay true to our commitment and make unremitting efforts to improve ourselves with greater courage and responsibility to fight the tough battle in 2020:

- I. At the strategic level, we will develop a new culture of Fuyao and upgrade the management model of the Company. The management aims at "Self-improvement", and upholds the principle of "Clear Goals, Assigned Responsibilities and Powers, Scientific Review, Clear Incentives and Punishments" to build the new Fuyao culture of "staying true to our commitment, being modest and prudent, seeking common ground while reserving differences and constantly striving for self-improvement".
- II. At the tactical level, we will strengthen organizational management, improve corporate management systems, standardize conference management and implement conference discussions and scientific decision-making process. We will also carry forward the existing results and good practices, strengthen new product development and promotion and maintain the healthy development of Fuyao.

Our goal has never changed – to build Fuyao into a globally recognized great enterprise. To achieve this goal, all of Fuyao staff will be united and work together for the success of Fuyao's great cause!

Chairman: Cho Tak Wong

Section II Definitions

I. DEFINITIONS

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

Definitions of common terms

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, Listed Company, Group, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Board of Directors	The board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
SAM	SAM automotive production GmbH, a company incorporated in accordance with the laws of Germany, which is principally engaged in the production and sale of aluminum trim strip
RMB, RMB1,000, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 1,000 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, the lawful currency in circulation in the PRC
PVB	polyvinyl butyral
OEM, ancillary business	automotive glass and services used in new vehicles of automobile factories
ARG, spare parts and components business	used in aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
laminated glass	automotive safety glass made of two or more than two layers of automobile float glass held in place by one or more interlayers of PVB
float glass	the glass produced by applying float technology
Reporting Period	for the twelve months ended December 31, 2019
Latest Practicable Date	April 27, 2020, being the latest practicable date for including certain information herein prior to the publication of this annual report

Section III Corporate Profile and Principal Financial Indicators

I. COMPANY INFORMATION

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

II. CONTACT PERSON AND CONTACT METHODS

Secretary to the Board of Directors Representative of Securities Affairs

Name	Li Xiaoxi	Zhang Wei
Contact Address	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Telephone	0591-85383777	0591-85383777
Fax	0591-85363983	0591-85363983
E-mail	600660@fuyaogroup.com	600660@fuyaogroup.com

III. BASIC INFORMATION

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

Section III Corporate Profile and Principal Financial Indicators

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

V. INFORMATION ON THE COMPANY'S SHARES

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

VI. OTHER RELEVANT INFORMATION

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

Section III Corporate Profile and Principal Financial Indicators

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

(I) Principal accounting data

Unit: '000 Currency: RMB

Principal accounting data	2019	2018	Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2017
Revenue	21,103,878	20,224,986	4.35	18,715,609
Annual profits attributable to the owners of the Company	2,897,868	4,119,935	-29.66	3,148,221
Annual profits attributable to the owners of the Company, net of non-recurring profit or loss	2,802,907	3,467,788	-19.17	3,030,259
Net cash from operating activities	4,700,911	5,451,390	-13.77	4,658,218
	At the end of 2019	At the end of 2018	Increase/decrease at the end of the Reporting Period as compared with the end of the corresponding period last year (%)	At the end of 2017
Equity attributable to the owners of the Company	21,382,603	20,203,708	5.84	19,014,191
Total assets	38,838,517	34,503,241	12.56	31,717,365

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

(II) Principal financial indicators

Principal financial indicators	2019	2018	Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2017
Basic earnings per share (RMB/share)	1.16	1.64	-29.27	1.25
Diluted earnings per share (RMB/share)	1.16	1.64	-29.27	1.25
Return on equity (%)	13.55	20.39	Decreased by 6.84 percentage points	16.56

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

Section III Corporate Profile and Principal Financial Indicators

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

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

Unit: '000 Currency: RMB

	Net profit		Net assets attributable to the shareholders of the Company	
	For the Reporting Period	For the corresponding period of previous year	At the end of the Reporting Period	At the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	2,898,433	4,120,487	21,370,366	20,190,906
Adjustments to item and amounts in accordance with the International Financial Reporting Standards: Reversal of impairment for buildings and land use rights and the differences in corresponding depreciation and amortization	-565	-552	12,237	12,802
Prepared in accordance with the International Financial Reporting Standards	2,897,868	4,119,935	21,382,603	20,203,708

Section III Corporate Profile and Principal Financial Indicators

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

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

IX. PRINCIPAL FINANCIAL DATA FOR THE YEAR OF 2019 BY QUARTER

Unit: '000 Currency: RMB

	First Quarter(From January to March)	Second Quarter(From April to June)	Third Quarter(From July to September)	Fourth Quarter(From October to December)
Revenue	4,933,498	5,353,865	5,346,312	5,470,203
Annual profit attributable to the owners of the Company	605,912	899,383	840,810	551,763
Annual profit attributable to the owners of the Company, net of non-recurring profit or loss	516,238	824,013	785,291	677,365
Annual cash generated from operating activities	630,207	1,237,494	1,362,923	1,470,287

Note:

- The financial data of each quarter in the above table has not been audited.
- In particular, "Annual profits attributable to the owners of the Company, net of non-recurring profit or loss" is prepared in accordance with the China Accounting Standards for Business Enterprises.

Section III Corporate Profile and Principal Financial Indicators

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

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amount for the year of 2019	Amount for the year of 2018	Amount for the year of 2017
Profit or loss from disposal of non-current assets	-9,278,127	601,116,748	-26,217,990
Government subsidies recorded under current profit or loss, other than those closely related to the normal business operation of the Company and subject to a fixed amount or quantity under certain standards required by national policies	181,754,102	146,750,220	188,280,808
Capital occupancy fee from non-financial enterprises recognized through profit or loss	21,538,114		
Profit or loss from changes in fair value of held-for-trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other bonds, other than effective hedging activities related to normal business operations of the Company	63,823,857	46,249,132	-33,267,704
Reversal of impairment provision for receivables tested for impairment on individual basis	25,000		29,805
Other non-recurring income and expenses other than the above items	-171,174,006	50,778,706	9,631,111
Effects of minority interests	-596,820	5,635,619	9,265
Effects of income tax	9,434,056	-197,830,893	-19,975,837
Total	95,526,176	652,699,532	118,489,458

Section III Corporate Profile and Principal Financial Indicators

XI. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of items	Opening balance	Closing balance	Changes in the Reporting Period	Impact on profit for the Reporting Period
Forward foreign exchange contracts	239,690	85,110	-154,580	-11,724,770
Currency swap contracts	44,224,931		-44,224,931	-5,368,011
Short call on foreign exchange		-3,795,000	-3,795,000	-2,312,000
Structured deposits	385,860,411	860,894,383	475,033,972	77,075,247
Principal-guaranteed wealth management products with the gains linked with J.P. Morgan MOZAIC WEEKLY Index	1,401,366		-1,401,366	5,415,022
Financial assets at fair value through other comprehensive income		784,417,775	784,417,775	-10,431,971
Total	431,726,398	1,641,602,268	1,209,875,870	52,653,517

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

Section IV Business Profile

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

(I) Principal business and business model

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

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

Unit: '000 Currency: RMB

Business	2019		2018		2017	
	Revenue	Percentage (%)	Revenue	Percentage (%)	Revenue	Percentage (%)
Automotive glass	18,957,337	89.83	19,351,889	95.68	17,868,123	95.47
Float glass	3,644,798	17.27	3,220,524	15.92	2,899,054	15.49
Others	1,903,485	9.02	573,463	2.84	620,514	3.32
Less: Intragroup eliminations	-3,401,742	-16.12	-2,920,890	-14.44	-2,672,082	-14.28
Total	21,103,878	100.00	20,224,986	100.00	18,715,609	100.00

(II) Industry Overview

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production and sales volume in 2018 amounted to 27,809,200 units and 28,080,600 units, representing year-on-year decreases of 4.16% and 2.76%, respectively, marking negative growth for the first time since 1990. 2019 saw the second consecutive annual decline, and China's automobile production volume and sales volume amounted to 25,721,000 units and 25,769,000 units, respectively, representing year-on-year decreases of 7.5% and 8.2%, among which China's production volume and sales volume of passenger vehicle amounted to 21,360,000 units and 21,444,000 units, representing year-on-year decreases of 9.2% and 9.6%, respectively. However, China still rank first in the world in terms of production volume and sales volume. As at the end of 2019, China has ranked first in the world for eleven consecutive years in terms of production volume and sales volume and the compound growth rate of China's automobile production volume is 3.88% from 2010 to 2019.

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

In terms of the global automobile industrial structure, the proportion of developing countries in the automobile industry has been increasing, resulting in greater influence; in respect of automobile ownership, there is still a tremendous gap between China and developed countries. In 2019, the

Section IV Business Profile

automobile ownership per 100 population reached over 80 units, approximately 50 to 60 units and approximately 17 units in the US, Europe and Japan, and China, respectively. Along with the development of China's economy, the ongoing urbanization, the growth of residents' income and spending power, and the improvement of road infrastructure, the potential automobile consumption demand in China is still huge. From the perspective of international horizontal comparison in terms of GDP per capita and automobile ownership, there is still growth potential in China's automobile market and great room for development in the industry that provides accessories for the automobile industry in the medium and long term.

The Chinese automobile industry has now entered a new stage of development characterized by diversified demands and an optimized structure. In general, automobile consumers increasingly focus on quality, personalization and diversification rather than functionality. The promotion of new-energy, intelligent and energy-saving automobiles facilitates economic transformation and upgrading; along with the development of application technology, the automotive glass has developed towards "safety and comfort, energy conservation and environmental friendliness, beautiful appearance, and intelligence and integration" with constantly increasing added value. The industry-leading position of Fuyao in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

Therefore, as a supporting industry of the automobile industry, there is still room for stable development for the industry in the medium and long run.

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

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

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

Including: overseas assets of RMB14,912 million, accounting for 38.40% of the total assets.

III. ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company continued to strengthen its core competitiveness:

1. Fuyao, a company with strong sense of social responsibility and mission, has gained trust from global automobile manufacturers, users, suppliers and investors by fulfilling its supporting role in the world's automobile industry and contributing transparent, exquisite glass to the world. Brand is the core competitiveness of Fuyao.
2. Fuyao has developed a team with devotion, passion, unity and ambition which has competitive advantages in operation, management, technology, quality, technique, design and IT in the glass industry.
3. The standardized, transparent and international financial system and the ERP-based process optimization system of Fuyao lay a solid foundation for the digitalization and intelligentization of "Industry 4.0".
4. Fuyao has built a relatively comprehensive industrial ecology, such as sand mineral resources, quality float technology, research and development of process and equipment, high degree glass integration, extension to aluminum trim industry, global layout of R&D centers and supply chain network; unique staff training and development mechanism, all of which form the systematic business advantages of Fuyao and create barriers to competitors.
5. Development strategy that highlights specialism, devotion and concentration enables the Company to respond promptly to market changes and provide Total Solutions of automotive glass to customers.

Section V Report of the Board of Directors

I. BUSINESS REVIEW

(I) Review on the business of the Company

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

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB21,103,878,000, representing an increase of 4.35% as compared with the corresponding period last year; realized a profit before tax of RMB3,230,573,000, representing a decrease of 34.89% as compared with the corresponding period last year; realized annual profit attributable to the owners of the Company of RMB2,897,868,000, representing a decrease of 29.66% as compared with the corresponding period last year; and realized earnings per share of RMB1.16, representing a decrease of 29.27% as compared with the corresponding period last year.

The profit before tax for the Reporting Period decreased by 34.89% year-on-year, which was mainly affected by the following: 1. the investment gain for the Reporting Period from the disposal of 75% equity interests in Beijing Futong last year; 2. the negative profit of integrating period of Germany FYSAM auto decorative project; 3. exchange gains and losses; 4. the compensation paid by Fuyao Glass Illinois Inc. due to being accused of breaching the exclusive sales agreement; 5. the increase of American tariff. Based on the above, eliminating the effects of the above incomparable factors, the profit before tax of the Company for the Reporting Period decreased by 7.45% year on year.

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

Section V Report of the Board of Directors

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

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

Financial indicators	Year ended December 31		
	2019	2018	2017
Revenue growth ⁽¹⁾	4.35%	8.06%	12.60%
Net Profit Growth ⁽²⁾	-29.44%	30.46%	0.18%
Gross profit margin ⁽³⁾	36.51%	41.52%	41.66%
Net profit margin before interest and taxes ⁽⁴⁾	17.36%	26.39%	20.63%
Net profit margin ⁽⁵⁾	13.73%	20.30%	16.82%
Return on equity ⁽⁶⁾	13.55%	20.39%	16.56%
Return on total assets ⁽⁷⁾	7.46%	11.90%	9.92%
Gearing ratio ⁽⁸⁾	44.95%	41.45%	40.04%
Turnover period of trade receivables ⁽⁹⁾	74	81	89
Inventory turnover period ⁽¹⁰⁾	90	96	97

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

The Company uses representative financial indicators relating to its profitability, operation capacity and solvency to analyze its growth potential. The Company's revenue for 2019 increased by 4.35% year on year and net profit decreased by 29.44%, mainly due to gains from disposal of equity interest, negative profit of integrating period of Germany FYSAM auto decorative project, exchange gains and losses, the compensation paid by Fuyao Glass Illinois Inc. due to being accused of breaching the payment of the exclusive sales agreement, the increase of American tariff and the effect of the continuous negative growth in automobile industry. The Company's gearing ratio as at December 31, 2019 was 44.95%, showing its solvency remained strong. The turnover period of trade receivables and inventory turnover period of the Company were 74 days and 90 days, respectively, in 2019, indicating the lowest level in the recent 3 years and a high turnover efficiency. The Company will constantly strengthen the Company's operation management, elevate the core competitiveness of the Company, and is able to continuously create value for shareholders.

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

Section V Report of the Board of Directors

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

(I) Industry landscape and development trend

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production and sales volume in 2018 amounted to 27,809,200 units and 28,080,600 units, representing year-on-year decreases of 4.16% and 2.76%, respectively, marking negative growth for the first time since 1990. 2019 saw the second consecutive annual decline, and China's automobile production volume and sales volume amounted to 25,721,000 units and 25,769,000 units, respectively, representing year-on-year decreases of 7.5% and 8.2%, among which China's production volume and sales volume of passenger vehicle amounted to 21,360,000 units and 21,444,000 units, representing year-on-year decreases of 9.2% and 9.6%, respectively. However, China still rank first in the world in terms of production volume and sales volume. As at the end of 2019, China has ranked first in the world for eleven consecutive years in terms of production volume and sales volume, and compound growth rate of China's automobile production volume is 3.88% from 2010 to 2019.

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

In terms of the global automobile industrial structure, the proportion of developing countries in the automobile industry has been increasing, resulting in greater influence; In respect of automobile ownership, there is still a tremendous gap between China and developed countries. In 2019, the automobile ownership per 100 population reached over 80 units, approximately 50 to 60 units and approximately 17 units in the US, Europe and Japan, and China, respectively. Along with the development of China's economy, the ongoing urbanization, the growth of residents' income and spending power, and the improvement of road infrastructure, the potential automobile consumption demand in China is still huge. From the perspective of international horizontal comparison in terms of GDP per capita and automobile ownership, there is still growth potential in China's automobile market and great room for development in the industry that provides accessories for the automobile industry in the medium and long term.

The Chinese automobile industry has now entered a new stage of development characterized by diversified demands and an optimized structure. In general, automobile consumers increasingly focus on quality, personalization and diversification rather than functionality. The promotion of new-energy, intelligent and energy-saving automobiles facilitates economic transformation and upgrading; along with the development of application technology, the automotive glass has developed towards "safety and comfort, energy conservation and environmental friendliness, beautiful appearance, and intelligence and integration" with constantly increasing added value. The industry-leading position of Fuyao in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

Therefore, as a supporting industry of the automobile industry, there is still room for stable development for the industry in the medium and long run.

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

Section V Report of the Board of Directors

(II) Development strategy of the Company

Development strategy of the Company:

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

The plan of the Company is:

- (1) to extend the boundary of “a piece of glass”, strengthen the study on the trend of glass integration, continue to promote the aluminum trim business and provide more comprehensive product solutions and services to automobile factories and ARG users.
- (2) to operate globally. The Company is undergoing transformation and upgrading in respect of organizational structure, corporate culture, investment and talent recruitments to improve its ability to provide services and create value for customers worldwide.
- (3) to build the customer-oriented quality management system of Fuyao following the idea of “combining moral standing, product, quality and taste” with the aim of zero defect; to build international brand of “Fuyao”, promote technological innovation and constantly create value.
- (4) to deepen comprehensively and lean advancement at different latitudes, improve quality and efficiency, adhere to the five-star teams to ram the field foundation, and cultivate Fuyao's independent lean talents.
- (5) to further comprehensively promote the management model that emphasises on centralized management of capital and overall budgeting so as to maximize capital efficiency.
- (6) to promote in-depth application of IT technologies to facilitate inter-connection, so as to achieve information sharing and business collaboration, thus making Fuyao become a “smart enterprise”.
- (7) to reinforce organisation management, aim at “Self-improvement”, and uphold the principle of “Clear Goals, Assigned Responsibilities and Powers, Scientific Review, Clear Incentives and Punishments” to build a sound work environment, so as to realize the upgrade of corporate management model.
- (8) to build the new Fuyao culture of “staying true to our commitment, being modest and prudent, seeking common ground while reserving differences and constantly striving for self-improvement”, to promote the growth of employees as a team and bring more happiness to them, so as to make Fuyao a great company.

Section V Report of the Board of Directors

Opportunities of the Company:

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

Challenges faced by the Company:

- (1) The world's economic and political situations are complex, and economic growth is slowing down, and risks and uncertainties still exist, and the automotive industry may continue to face the risk of negative growth, which will bring challenges to the company's operations and management.
- (2) As China is currently in a critical period of transforming the way of development, optimizing the economic structure and shifting the growth drive and structural, institutional, and cyclical issues are intertwined, there are many problems, conflicts and challenges needed to be resolved, which will pose challenges to the domestic development of the Company.
- (3) In the information age, customers have growing requirements for response speed, which leads to higher requirements on the intelligence level and collaborative ability of the Company.
- (4) Product consumption upgrading and technical progress pose new requirements on automotive glass and on automobile window solutions.
- (5) The globalized operation and development of the Company brings challenges to the Company on, among others things, adapting to cultural differences, compliance with laws and arrangement of manpower in the countries it operates.

Section V Report of the Board of Directors

(III) Business plan

In 2020, the economic situation remains gloomy at home and abroad, and risks and uncertainties still exist. and the automobile sector is still likely to be confronted with the risk of negative growth. The outbreak of novel coronavirus pneumonia will deepen the impact on the economy and industry, despite facing greater challenges ahead, Fuyao will, stay true to their commitment and make unremitting efforts, with greater courage, liability and responsibility, aim at "Self-improvement", and uphold the principle of "Clear Goals, Assigned Responsibilities and Powers, Scientific Review, Clear Incentives and Punishments" to fight the tough battle in 2020, and strive to maintain steady growth in each principal operating indicators in 2020.

Major tasks of the Company to be carried out in 2020:

1. To give the leading role to sales, enhancing market sensitivity, constantly broadening the width of market development, levelling up the precision of market development and strengthening the depth of market development.
2. To deepen management reform, exploit the organization efficiency, make full use of information technology, improve management efficiency and per capita productivity, and further reduce cost and increase efficiency.
3. To improve quality and efficiency with technological advantages and the entire industry chain, improve the competitiveness of automotive glass assemblies, and continue to promote the aluminum trim business.
4. Adhere to the market and product oriented research and development mechanism, and successfully complete the team construction of Suzhou Research Institute and Fuqing Research Institute; strengthen the effective operation of the technical committee to ensure that the market technology center and the research institute form a joint force to achieve the transformation from follower to technology leader.
5. To integrate the resources and talents of the Group's business part to enhance customer service and solution design abilities; major projects will be solved by particular person and particular project, and used as breakthrough points to obtain opportunities in standard formulation and patents.
6. To streamline organizational management and working atmosphere, improve the enterprise management system, standardize conference management, implement conference discussions, and scientific decision-making process to improve the organization's decision-making competency, action force, synergy and discipline.
7. To continue to promote lean management, adhere to the five-star team to achieve the field foundation, so as to continue to modify the project to achieve the improvement of quality and efficiency, the entire Group will conduct benchmark management, forming a "compete, learn, follow, help, surpass" internal competition pattern.
8. To carry forward existing results and good practices, increase new product development and promotion, and maintain the healthy development of Fuyao.
9. To strengthen the nourishment and training of talents, improve their overall quality, establish a high-quality, professional management team to accommodate the requirements of Fuyao's global operations.

Section V Report of the Board of Directors

In order to accomplish its business plan and goals for the year of 2020, the Company expects its funding needs throughout 2020 will be RMB21,261 million, of which operating expenditure, capital expenditure and payments of cash dividends will be RMB17,000 million, RMB2,380 million and RMB1,881 million, respectively. The Company intends to satisfy the funding needs through collection of trade receivables, acceleration of inventory turnover and management of receivables, utilization of balance of funds and debt financing such as borrowings from financial institutions or issuance of debentures. In 2020, the Company will continue to enhance comprehensive budget management, accelerate the collection of trade receivables, strictly control exchange risks and optimize capital structure, thereby enhancing the security and effectiveness of capital management.

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

(IV) Potential risks

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

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

2. Risks associated with industry development

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

3. Risks associated with market competition

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

Section V Report of the Board of Directors

4. Risks associated with cost fluctuations

The costs of automotive glass of the Company mainly comprise raw materials of float glass, PVB raw materials, labor, electricity and manufacturing costs, while the costs of float glass mainly include costs of fuels such as sodium carbonate and natural gas, labor, electricity and manufacturing fees. Due to fluctuations of the prices of international bulk commodities, changes in supply and demand in the natural gas market, changes in production capacity in the sodium carbonate industry and needs for sodium carbonate due to the prospect of the glass and the aluminum oxide industry, the commencement of coal power linkage pricing reform mechanism, the pressure of inflation arising from quantitative easing measures adopted by many countries all over the world, continuous rising of labor cost, the Company is exposed to the risk of cost fluctuations. Given the above, the Company will:

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

5. Risks associated with exchange rate fluctuations

China has reformed the RMB exchange rate mechanism on the principles of voluntarism, gradualism and controllability and pursues a managed floating exchange rate regime that is based on market supply and demand and with reference to a basket of currencies. Although the underlying cause of imbalances in international trade lies in the issues behind the economic structure of certain countries, fluctuations in exchange rates will take place alongside the fluctuations in the global economy, turbulence in certain countries, growing tension in certain key areas, and the tightening and easing of monetary policies by different countries. Given that the export-oriented 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 the Europe and the US and conducting production and sale in those regions while avoiding risks arising from the fluctuations in exchange rates and keeping the risks under control.

Section V Report of the Board of Directors

6. The Company might not be able to respond quickly enough to rapid technological change and evolving standards in the automotive glass industry or in industries its customers operate

The Company focuses on developing proprietary technologies and new automotive glass products. A long time may be required for the new product development process, potentially leading to mounting expenses. Substantial investment of capital and resources may be necessary before new products contribute to sales. Investment in the development of new products by the Company may not generate sufficient earnings in the event that competitors release new products to the market more rapidly than the Company does or if alternative technologies and products are preferred by the market. If the Company is unable to predict or respond in a timely manner to changes in technologies or does not succeed in developing new products suited to customer needs, the Company's business activities, business performance and financial condition may be adversely affected. In order to maintain the competitive edge, the Company will increase its investment in research and development, improve its independent innovation capabilities, strengthen the management of research and development projects and establish the market-oriented research and development mechanism. The Company will also directly respond to the demand of the main manufacturers through the product center to establish a strategic cooperative relationship with the customers.

7. Cyber risk and security

With the growing smart manufacturing capacity of enterprises, operation and management of core business are all backed by and realized through information systems. In case of external attack, ransomware virus against the core information network of the Company, corruption of important files and failures in manufacturing execution system and other systems may occur, or production and delivery would be affected. Therefore, the Company will, in accordance with the guidance of the overall information security scheme, (1) implement strict control over the provision and port of external access, update patches in a timely manner for resources such as the server, the memory, etc., and install hardware firewalls to ward off the trespass of hackers into internal sources through protection vulnerabilities; (2) conduct attack and defense drills on a regular basis, track down underlying security risks promptly and take corresponding measures to control risks thereof; (3) continue the consistent cooperation with worldwide top-notch cyber security service providers which has lasted for years and establish a multilayered and tridimensional defense system so as to identify the abnormal situation as it's happening, carry out countermeasures automatically and ensure data security; (4) establish crisis awareness to guard against all kinds of cyber risks; and enhance the cyber security consciousness and sense of participation of the entire staff and regulate their online behaviors so as to help the staff learn techniques and methods for secure use of the Internet and improve the capability of resisting and avoiding harmful information on the Internet.

8. Information swindle and theft

With the advancement of information-based construction of enterprises, core data in relation to sales, design, techniques and finance of enterprises are exposed to the risk of theft, which would result in impairment of the core competitiveness of enterprises. In order to avoid such risks, the Company has accelerated the progress of information encryption and desktop virtualization. On the one hand, the Company has the core information system encrypted so that copied files or data cannot be opened outside the enterprise network, which will in turn guarantee information security; it paces up in the construction of visualized desktop for R&D department, design department and other nucleus departments and carries out concentrated storage of core information assets so as to reduce the possibility of individual storage and information dissemination, on the other hand. In addition, the Company has also adopted the model that integrated software and hardware and formulated three-layered security measures for the avoidance of information leakage to regulate the download, copy and utilization of important files. Clear demarcation has been made among data, files, technical documents, intranet, internet, and VPN, and corresponding protection measures are adopted.

Section V Report of the Board of Directors

9. Environmental and social risks

As China's policies, plans and standards in respect of environmental governance and management are becoming increasingly detailed and stringent both intensively and extensively, there may be risks that indicators in some aspects or a certain aspect of the Company deviate from new policies and new standards promulgated by the government. First, the Company upholds the "resource conserving and eco-friendly" concept and has been implementing such a concept through innovations in technology, process and equipment, application of new materials and investment in environmental facilities. As a result, the industries of the Company satisfied the top-notch standards in the world in respect of materials, process, technology, equipment, energy saving and environmental protection and functional performance; second, the Company has set up the environmental, social and governance committee and has formulated the environmental, social and governance management systems and internal control handbook to provide stronger guarantee for the long-acting and sustainable development of the Company in respect of the environment, society and governance; third, it carries out propagation and training courses on environmental protection, energy saving and recycling economy with a view to improving the environmental consciousness of the entire staff on a continuous basis; fourth, the Company exerts strict internal monitoring and assessment on the comprehensive implementation of various measures and objectives for environmental protection work.

III. RESULTS

Please refer to "Consolidated Income Statements" of "Section XII Financial Report" for details of the annual results of the Company for the year ended December 31, 2019. Please refer to "Section XIII Business Performance Highlights for the Previous Five Years" for details of the summary of the results of the Company for the last five financial years.

IV. DIVIDEND AND REDUCTION AND EXEMPTION OF DIVIDEND TAX

The profit distribution plan for the year of 2019 as proposed by the Company is as follows: to distribute cash dividends of RMB7.5 per 10 shares (tax inclusive) based on the total share capital of 2,508,617,532 shares of the Company as at December 31, 2019 to holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of cash dividends for the year of 2019, with total dividends to be distributed amounting to RMB1,881,463,149 in total. The undistributed profits of the Company will be carried forward to the following year. The Company will not carry out bonus issue and conversion of capital reserve into share capital for the year of 2019. Cash dividends distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

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

After the 2019 profit distribution plan of the Company is approved by shareholders at the forthcoming general meeting, the cash dividends will be paid within two months from the closing of the general meeting in accordance with the Articles of Association. Based on the existing working schedule of the Company, the dividends are expected to be paid on or before August 21, 2020. In the case of any change in the payment date mentioned above, the Company will make an announcement in a timely manner. The Company will announce the details regarding other specific matters on dividend distribution in due course.

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

Section V Report of the Board of Directors

Holders of A shares

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

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

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

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

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

Section V Report of the Board of Directors

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

Holders of H shares

In accordance with the requirements of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the dividends for the year ended December 31, 2019 to overseas individual shareholders whose names appear on the register of members of H shares of the Company.

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

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

Section V Report of the Board of Directors

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

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

V. CONNECTED TRANSACTIONS

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

VI. DONATION

During the Reporting Period, the total external donations of the Group amounted to RMB732,300.

VII. PROPERTY, PLANT AND EQUIPMENT

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

VIII. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Please refer to Note 10 “Investments Accounted For Using The Equity Method” and Note 39 “Subsidiaries” of “Section XII Financial Report” for the details of the interests of the Company in major subsidiaries, joint ventures and associates as at December 31, 2019.

IX. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

X. PERMITTED INDEMNITY PROVISION

As at December 31, 2019, the Company maintained directors', supervisors' and senior management members' liability insurance for all of its directors, supervisors and senior management members.

XI. MANAGEMENT CONTRACTS

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

Section V Report of the Board of Directors

XII. DISCLOSURE OF INTERESTS

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

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

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

XIV. MINIMUM PUBLIC FLOAT

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

XV. ISSUANCE OF SHARES

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

XVI. RESERVES AND DISTRIBUTABLE RESERVE

Pursuant to the Company Law of the PRC, undistributed profit could be distributed as dividends after allocation is made to the statutory surplus reserve. According to the requirements of the Articles of Association, when the Company is to distribute its profit after tax in the relevant accounting year, the profit after tax shall be deemed to be the lesser of the amounts stated in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards. Under the International Financial Reporting Standards, the undistributed profit of the Company as at the end of 2019 amounted to RMB6,242 million.

XVII. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

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

XVIII. BANK BORROWINGS AND OTHER LOANS

Please refer to Note 20 “Borrowings” of “Section XII Financial Report” for the details of the bank borrowings and other loans of the Company.

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

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

Section V Report of the Board of Directors

XX. FULFILMENT OF SOCIAL RESPONSIBILITY

During the Reporting Period, the Company has prepared and disclosed the 2019 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. pursuant to the relevant requirements of the SSE. Meanwhile, the Company has prepared and disclosed the 2019 Environmental, Social and Governance Report pursuant to Appendix 27 of the Hong Kong Listing Rules. The report will be published on the Hong Kong Stock Exchange and the SSE.

XXI. RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

(I) Employees

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

(II) Customers

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

In 2019, the top five customers of the Group, all of which are independent third-party automotive glass customers, accounted for 16.94% of the revenue of the Group, and the largest customer accounted for 5.09% of the revenue of the Group. The Group have maintained good relationship with its major customers, and have maintained partnership with its largest customer for more than 20 years. Nevertheless, the Group did not depend on any of its major customers. None of the directors of the Company and their close associates or shareholders who hold more than 5% of the shares of the Company has any interest in the top five customers of the Group.

(III) Suppliers

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

In 2019, the top five suppliers of the Group accounted for 13.30% of the purchases of the Group and the largest supplier of the Group accounted for 3.09% of the purchases of the Group. None of the directors of the Company and their close associates or shareholders who hold more than 5% of the shares of the Company has any interest in the top five suppliers of the Group.

Section V Report of the Board of Directors

XXII. ENVIRONMENTAL MATTERS

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

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

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

XXIII. OCCUPATIONAL HEALTH AND SAFETY MATTERS

The Group complies with labor safety laws and regulations imposed by the government authorities in China and other countries in which it operates. The Group has implemented various occupational health and safety procedures to maintain a safe working environment, including: (1) the Group establishing safety production committee, setting up safety production management body, responsible for monitoring and ensuring the effective implementation of the health and safety procedures; each subsidiary of the Group setting up safety production management body and deploying full-time (part-time) safety management personnel to promote the work; for example, establishing safety management departments at subsidiaries in Russia and the US, which establish and monitor the implementation of safety management system at the production base in Russia and the US and designating personnel in charge of safety management at the Russian and US production base; (2) providing regular training to the employees on safety awareness, including safety training for new employees, safety management personnel training, operation safety training, equipment maintenance safety training, special operation training, etc; (3) providing guidelines for safety operation and control procedures for all employees; (4) adopting protective measures at our production bases; (5) inspecting equipment and facilities regularly to identify and eliminate potential safety hazard; (6) formulating emergency plans for safety production to ensure that personnel can receive timely treatment in emergency situations; (7) implementing accident reporting, investigating and reforming system to avoid recurrence. The Group has obtained OHSAS18001 certification for the occupational health and safety management system. As the business of the Group expands, the Group will regularly review the occupational health and safety procedures to ensure they comply with industry practices and applicable laws and regulations.

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

Section V Report of the Board of Directors

XXIV. LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

The Company may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of the business. 1. As mentioned in 2018 Annual Report, Fuyao Glass America Inc., a wholly-owned subsidiary of the Company, was involved in a class action lawsuit in relation to payment of overtime wages. As at the end of the Reporting Period, Fuyao Glass America Inc. has reached a settlement agreement with the representative of the plaintiff. The settlement will fully resolve all claims and terminate litigation. The court approved the settlement agreement on December 16, 2019, with a settlement amount of USD1.3 million. 2. Fuyao Glass Illinois Inc., a subsidiary of the Group, was accused of violating the exclusive sales agreement. After final ruling by the International Court of Arbitration, it was required to pay claimants compensation and bear the expenses of the International Arbitration Court totaling USD39,290,000, and terminate the exclusive sales agreement. Fuyao Glass Illinois Inc. paid the above amount in January 2020.

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

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

Financial statements of the Company for the year ended December 31, 2019 has reviewed by the audit committee of the Company

Section VI Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2019, the global economic growth weakened and the investment scale declined, as trade tensions, financial instability and increased geopolitical uncertainty resulted in the slowdown of global economic growth; China's economy has been weathering increasing economic downward pressure, and particularly, the manufacturing industry was most directly affected by trade frictions, the automobile consumption has obviously grown weak. Since China's automobile industry recorded its first decline over the past 28 years in 2018, the automobile market has shrunk for two consecutive years. According to the statistics released by the China Association of Automobile Manufacturers, automobile production volume in 2019 was 25,721,000 units, representing year-on-year decrease of 7.5%, among which, the production volume of passenger vehicles was 21,360,000 units, representing year-on-year decrease of 9.2%.

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB21,103,878,000, representing an increase of 4.35% as compared with the corresponding period last year; realized a profit before tax of RMB3,230,573,000, representing a decrease of 34.89% as compared with the corresponding period last year; realized annual profit attributable to the owners of the Company of RMB2,897,868,000, representing a decrease of 29.66% as compared with the corresponding period last year; and realized earnings per share of RMB1.16, representing a decrease of 29.27% as compared with the corresponding period last year.

1. The profit before tax of the Company for the Reporting Period decreased by 34.89% as compared with the corresponding period last year, mainly due to the following reasons:
 - (1) the Company recorded an investment gain of RMB664,033,000 for the corresponding period last year from the disposal of 75% equity interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd.;
 - (2) the profit before tax of integrating period of Germany FYSAM auto decorative project amounted to €-37,710,000 for the Reporting Period, and thus the profit before tax of the Company for the Reporting Period decreased by RMB295,336,000 for the corresponding period last year;
 - (3) the exchange gains of the Company for the Reporting Period were RMB135,764,000 as compared with an exchange gain of RMB258,516,000 for the corresponding period last year, and thus the profit before tax of the Company for the Reporting Period decreased by RMB122,752,000 for the corresponding period last year;
 - (4) compensation paid by Fuyao Glass Illinois Inc. due to being accused of breaching the exclusive sales agreement and the expenses incurred in the International Court of Arbitration aggregated to USD39,290,000, and thus the profit before tax of the Company for the Reporting Period decreased by RMB271,874,000 as compared with the corresponding period last year and the exclusive sales agreement was terminated at the same time;

Section VI Management Discussion and Analysis

- (5) the U.S. imposed additional tariffs on certain goods imported from China and the additionally imposed tariffs borne by the Company aggregated to approximately USD11,030,000 after deducting the part borne by customers, and thus the profit before tax of the Company for the Reporting Period decreased by RMB76,349,000 as compared with the corresponding period last year.

To sum up, eliminating the above non-comparable factors, the profit before tax of the Company for the Reporting Period decreased by 7.45% as compared with the corresponding period last year.

2. The gross profit margin for the Reporting Period was 36.51%, decreased by 5.01 percentage points for the corresponding period last year, mainly due to the following reasons:
 - (1) the new business of automotive decoration of the Company for the Reporting Period was in the integrating period. The gross profit margin was -22.77%, and thus the consolidated gross profit margin of the Company decreased by 3.40 percentage points as compared with the corresponding period last year;
 - (2) in addition to the float glass supplied to the Company for the production of automotive glass, the gross profit margin of the float glass sold by the Company was only 3.46%, and it was 29.69% for the corresponding period last year, and thus the consolidated gross profit margin of revenue of the Company decreased by 0.67 percentage points as compared with the corresponding period last year;
 - (3) the gross profit margin of automotive glass was 33.85% for the Reporting Period, decreased by 1.33 percentage points as compared with the corresponding period last year, which was mainly due to the continuous negative growth in the domestic automotive industry, resulting in a decrease in the revenue from sales of the domestic automotive glass of the Company, an increase in the proportion of depreciation and amortization in revenue, and a decrease of 1.30 percentage points in the consolidated gross profit margin of the Company as compared with the corresponding period last year.

To sum up, eliminating the above factors, the gross profit margin for the Reporting Period was the same with that of the corresponding period last year.

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

1. Market structure became more reasonable and globalization effect gradually came out: The Company played a leading role in sales and established an all-round sales management mechanism to improve the market sensitiveness. In addition, fuelled by international development, the Company strived to optimize the market structure through taking multiple measures in domestic and foreign markets simultaneously, so as to promote the sustained and healthy development of enterprises. Thanks to the above measures, the market structure of the Company became more reasonable both at home and abroad, and saw continuous optimization from 58.47%: 41.53% in the corresponding period last year to 51.22%: 48.78% in 2019. As a result, market structure was further balanced, and our ability to resist regional market risks was enhanced.

Section VI Management Discussion and Analysis

2. Promoted the upgrading of product mix: We continued to promote the development of automotive glass toward the direction of safety, comfort, energy saving, environmental protection and intelligent integration. The proportion of high value-added products, such as thermal insulation, sound insulation, head-up display, dimmable, ultraviolet-proof, water proof, solar energy, enveloping edge modularization products, continued to increase, representing an increase of 1.72 percentage points as compared with same period last year, reflecting the value.
3. Promoted the deep integration of the industry: On February 28, 2019, we acquired the aluminum trim strip assets of SAM, a German company and established our presence in downstream aluminum trim business. SAM is a leading company in terms of technical capability in the field of automotive aluminum trim strip, an environment friendly and light weight material, and possesses unique technical patents. In addition, we acquired Jiangsu Decoration and established Tongliao Refined Aluminum to achieve synergy of upstream and downstream businesses with German Aluminum Decoration and complete our aluminum auto decorative industrial chain, which would further enhance the integration ability of Fuyao Automotive glass, and expand development room for Fuyao.
4. Took a lead in R&D innovation and technology: The Company established Suzhou Research Institute to form a joint force with Fuqing Research Institute and Market Technology Center to further strengthen the construction of R&D institutions; the Company established technical committee to give play to the leading role of R&D innovation and technological innovation, promote the listing of R&D projects and give full play of the leading role, which improved the efficiency of project promotion and promoted the Company's transformation from a follower to a technology leader. During the Reporting period, the float glass project team of the Company has overcome the technical problems of gray glass and successfully developed a series of thin plate products, realizing the self-supply of dark gray coated automotive glass products, and significantly reducing procurement costs; the Company independently researched and developed ultra-thin tempered automotive glass (for rear windows) to enhance the market competitiveness of the Group's tempered products.
5. Further improved management ability: The Group deepened lean promotion, improved and refined various management, and strengthened talents management system and team building; the Group trained Fuyao independent and lean talents, solidified the building of basic-level five-star team and consolidated the basic management of the workshop; the Group also enhanced the executive ability and leadership of middle and senior team, so as to increase operational and management efficiency.

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

As at December 31, 2019, the total assets of the Company amounted to RMB38,839 million, representing an increase of 12.56% as compared with the beginning of the year; the total liabilities amounted to RMB17,457 million, representing an increase of 22.07% as compared with the beginning of the year; gearing ratio was 44.95%; equity attributable to the owners of the Company amounted to RMB21,383 million, representing an increase of 5.84% as compared with the beginning of the year.

During the Reporting Period, the revenue of the Company amounted to RMB21,103,878,000, representing a year-on-year increase of 4.35%; the annual profit attributable to the owners of the Company amounted to RMB2,897,868,000, representing a year-on-year decrease of 29.66%; the annual profit attributable to the owners of the Company, net of non-recurring profit or loss, amounted to RMB2,802,907,000, representing a year-on-year decrease of 19.17%; earnings per share amounted to RMB1.16, representing a year-on-year decrease of 29.27%.

Section VI Management Discussion and Analysis

(I) Analysis of principal business

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

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Percentage of change (%)
Revenue	21,103,878	20,224,986	4.35
Cost of sales	13,399,311	11,828,463	13.28
Distribution costs and selling expenses	1,481,567	1,467,671	0.95
Administrative expenses	2,194,223	2,071,318	5.93
Finance costs – net	148,259	140,196	5.75
Net cash used in investing activities	4,700,911	5,451,390	-13.77
Net cash used in from financing activities	-2,699,293	-2,971,313	-9.15
Net cash generated from financing activities	-115,537	-3,080,005	-96.25
Research and development expenses	813,130	887,722	-8.40

Section VI Management Discussion and Analysis

Changes in income statement and explanations thereof:

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Reason for change
Other gains – net	7,875	1,009,830	-1,001,955	-99.22	The change of other gains-net was mainly due to the following reasons: 1.the exchange gain of RMB136,000,000 as a result of exchange rate fluctuation during the Reporting Period and the exchange gain for the same period last year was RMB259,000,000; 2.the the investment gains of RMB664,000,000 confirmed from disposal of 75% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. by the Company for the same period last year; 3. provision for arbitration compensation of RMB272,000,000 paid by Fuyao Glass Illinois Inc.
Share of net profit of joint venture and associate accounted for using the equity method	-5,932	3,744	-9,676	-258.44	The decrease in Share of net profit of joint venture and associate accounted for using the equity method was mainly due to the decrease in annual profit of associated enterprises for the Reporting Period.
Income tax expense	332,956	855,188	-522,232	-61.07	The decrease in income tax expense was mainly due to the deferred income tax assets of American projects recognized for deductible losses and temporary differences for the Reporting Period.

Section VI Management Discussion and Analysis

Changes in cash flow statement and explanations thereof:

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Reason for change
Proceeds from disposal of subsidiaries and joint ventures	-	682,452	-682,452	-100.00	The decrease in proceeds from disposal of subsidiaries and joint ventures was mainly due to the disposal of 51% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. received for the same period last year.
Proceeds from disposal of property, plant and equipment	40,473	63,762	-23,289	-36.52	The change in proceeds from disposal of property, plant and equipment was mainly due to the change in the disposal and sales of fixed assets during the Reporting Period.
Purchases of land use rights	25,180	81,784	-56,604	-69.21	The decrease in the expenses of purchases of land use rights was mainly due to the increase in the expenses of purchases of land use rights for newly-established companies for the same period last year.
Purchase of financial assets at fair value through profit or loss - net	465,000	285,000	180,000	63.16	The increase in purchases of financial assets at fair value through profit or loss - net was mainly due to the increase in purchases of bank structured deposits with principal guaranteed during the Reporting Period.

Section VI Management Discussion and Analysis

Items	For the Reporting Period	For the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Reason for change
Dividends received	-	7,350	-7,350	-100.00	The decrease in dividends received was due to the dividend amount received from joint ventures for the same period last year.
Government grants received relating to property, plant and equipments	189,127	104,850	84,277	80.38	The change in government grants received relating to property, plant and equipments was mainly due to the increase in government grants received relating to assets during the Reporting Period.
Dividends paid to Company's shareholders	1,881,463	2,884,910	-1,003,447	-34.78	The decrease in dividends paid to Company's shareholders was due to the interim dividend of RMB1,003,000,000 for the same period last year.
Dividends paid to non-controlling interests in subsidiaries	-	12,096	-12,096	-100.00	The decrease in dividends paid to non-controlling interests in subsidiaries was mainly due to the dividends paid to Fujian Sanfeng Auto Service Co., Ltd. (福建三峰汽車服務有限公司), a non-wholly owned subsidiary, last year.

Section VI Management Discussion and Analysis

2. Analysis of revenue and costs

During the Reporting Period, sales of automotive glass of the Company decreased by RMB394,552,000, representing a year-on-year decrease of 2.04%, which was mainly affected by the continuous negative growth of domestic automotive industry. Cost of sales of automotive glass of the Company decreased by RMB3,324,000, representing a year-on-year decrease of 0.03%. Float glass produced and sold by the Company is mainly to be used by its automotive glass with internal supply as its main purpose. Principal business by product is set out as follows:

(1) Business by industry, by product or by region

Unit: '000 Currency: RMB

Product	Revenue	Cost of sales	Principal business by product			
			Gross profit margin (%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in gross profit margin as compared with last year (%)
Automotive glass	18,957,337	12,540,656	33.85	-2.04	-0.03	Decreased by 1.33 percentage points
Float glass	3,644,798	2,421,573	33.56	13.17	24.65	Decreased by 6.12 percentage points
Others	1,903,485	1,838,824				
Less: Intragroup elimination	<u>-3,401,742</u>	<u>-3,401,742</u>				
Total	<u>21,103,878</u>	<u>13,399,311</u>	36.51	4.35	13.28	Decreased by 5.01 percentage points

Section VI Management Discussion and Analysis

Principal business by region

Region	Revenue	Cost of sales	Gross profit margin (%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in gross profit margin as compared with last year (%)
The PRC	10,809,575	6,331,426	41.43	-8.59	-4.81	Decreased by 2.32 percentage points
Other countries	10,294,303	7,067,885	31.34	22.56	36.53	Decreased by 7.03 percentage points
Total	<u>21,103,878</u>	<u>13,399,311</u>	36.51	4.35	13.28	Decreased by 5.01 percentage points

(2) Analysis of production and sales volumes

Principal products	Unit	Production volume	Sales volume	Inventory	Change in production volume as compared with last year (%)	Change in sales volume as compared with last year (%)	Change in inventory as compared with last year (%)
Automotive glass	million square meters	109.46	109.09	10.96	-6.28	-7.28	1.15
Float glass	0'000 tons	143.53	148.59	32.30	6.72	25.04	-15.71

Note to production and sales volumes:

Production volume refers to that of finished goods.

Section VI Management Discussion and Analysis

(3) Costs analysis

Unit: '000 Currency: RMB

Product	Cost structure	By product		Amount for the corresponding period last year	Amount for the corresponding period last year accounting for total costs (%)	Change in the amount for the period as compared with the corresponding period last year (%)
		Amount for the period	Amount for the period accounting for total costs (%)			
Automotive glass	Raw and auxiliary materials	7,815,401	62.32	7,919,526	63.13	-1.31
Automotive glass	Costs of energy	833,841	6.65	893,389	7.12	-6.67
Automotive glass	Costs of labor	2,061,493	16.44	2,015,927	16.07	2.26
Automotive glass	Others ⁽¹⁾	1,829,921	14.59	1,715,138	13.68	6.69
Float glass	Raw and auxiliary materials	809,974	33.45	653,238	33.62	23.99
Float glass	Costs of energy	795,809	32.86	607,631	31.28	30.97
Float glass	Costs of labor	195,899	8.09	167,522	8.62	16.94
Float glass	Others ⁽¹⁾	619,891	25.60	514,366	26.48	20.52

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

(4) Major customers and suppliers

Sales to the top five customers amounted to RMB3,575,569,600, accounting for 16.94% of the total sales for the year; of which related-party sales amounted to nil, accounting for 0% of the total sales for the year.

Purchases from the top five suppliers amounted to RMB1,068,463,200, accounting for 13.30% of the total purchases for the year; of which related-party purchases amounted to nil, accounting for 0% of the total purchases for the year.

Section VI Management Discussion and Analysis

3. Expenses

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

4. Research and development costs

Analysis of research and development (R&D) costs

Unit: '000 Currency: RMB

R&D costs expensed for the Reporting Period	813,130
R&D costs capitalized for the Reporting Period	0
Total R&D costs	813,130
Total R&D costs as a percentage of revenue (%)	3.85
Number of R&D staff of the Company	3,972
Number of R&D staff as a percentage of the total number of staff of the Company (%)	14.86
Capitalization percentage of R&D costs (%)	0

5. Details of charge on assets

As at December 31, 2019, Yung Tak Investment Limited, a subsidiary of the Group, pledged a land and buildings with a carrying amount of RMB21,749,000 as security for a credit line of HKD30 million.

Section VI Management Discussion and Analysis

6. Liquidity and capital sources

6.1 Cash flows

Unit: '000 Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period last year
Net cash generated from operating activities	4,700,911	5,451,390
Net cash used in investing activities	-2,699,293	-2,971,313
Net cash used in financing activities	-115,537	-3,080,005
Net increase/(decrease) in cash and cash equivalents	1,886,081	-599,928

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB4,701 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB22,628 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB11,860 million, cash paid to and paid on behalf of employees amounted to RMB4,473 million, and payment for various taxes amounted to RMB1,803 million.

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

- (2) During the Reporting Period, Net cash used in investing activities amounted to RMB2,699 million. In particular, cash paid for purchase and construction of property, plant and equipment and other long-term assets amounted to RMB2,780 million.
- (3) During the Reporting Period, Net cash used in from financing activities amounted to RMB116 million, of which, cash received from borrowings amounted to RMB16,918 million, cash used for repayment of debts amounted to RMB14,637 million; cash payment for distribution of dividends and payment of interests amounted to RMB2,310 million.
- (4) The Company will further strengthen and promote the management model that emphasises on centralized management of capital and overall budgeting, strictly control exchange risks and optimize capital structure so as to enhance the security and effectiveness of capital management and maximise capital efficiency.

6.2 Cash flow

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

Section VI Management Discussion and Analysis

6.3 Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other transformation and upgrading. During the Reporting Period, RMB2,780 million in cash was paid for purchase and construction of property, plant and equipment, intangible assets and other long-term assets. In particular, capital expenditures of Germany FYSAM auto decorative project and Suzhou automotive glass project amounted to approximately RMB634 million and RMB355 million, respectively.

6.4 Borrowings

During the Reporting Period, the newly-added bank borrowings amounted to approximately RMB15,219 million; ultra short-term financing bills amounted to RMB1,700 million; and repayment of bank borrowings amounted to approximately RMB11,837 million, ultra short-term financing bills amounted to RMB2,000 million and corporate bonds amounted to RMB800 million. The Company did not utilize any financial instrument for hedging. As at December 31, 2019, interest-bearing debts are set out as follows:

Unit: 100 million Currency: RMB

Type	Amount
Short-term borrowings with fixed interest rates	84.55
Short-term borrowings with floating interest rates	0.02
Long-term borrowings with floating interest rates due within one year	10.32
Long-term borrowings with floating interest rates	11.93
Corporate bonds	-
Ultra short-term financing bills	-
	<hr/>
Total	<u>106.82</u>

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

7. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is carried out within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in U.S. dollar). The finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies to mitigate the foreign exchange risks to the largest extent. To this end, the Group may hedge foreign exchange risks by way of stepping up its globalization paces, reasonable matching of foreign currency assets and the scale of expansion with overseas business expansion, optimizing the currency of business settlement, matching the same currency between income and expenditure, adopting appropriate exchange rate instruments and financial derivatives such as locking exchange rate, forward foreign exchange contract and currency swap contract. During the Reporting Period, foreign exchange gain of the Group amounted to RMB136,000,000 as compared with foreign exchange gain of RMB259,000,000 for the corresponding period last year.

Section VI Management Discussion and Analysis

8. Capital efficiency

Inventory turnover period during the Reporting Period was 90 days, representing a decrease of 6 day as compared with the 96 days of the corresponding period last year: among which, the inventory turnover period of automotive glass was 65 days, and 68 days for the corresponding period last year whereas the inventory turnover period of float glass was 144 days, and 162 days for the corresponding period last year.

The turnover period of the trade receivables during the Reporting Period was 74 days, 7 days shorter as compared with 81 days for the corresponding period last year.

The return on equity during the reporting period was 13.55%, compared with 20.39% for the corresponding period last year.

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

Unit: '000 Currency: RMB

	December 31, 2019	December 31, 2018
Total borrowings	10,718,806	8,400,201
Lease liabilities	657,265	–
Long-term payables	76,095	–
Less: Cash and cash equivalents	-8,352,669	-6,357,656
Net debts	3,099,497	2,042,545
Total equity	21,381,318	20,202,674
Total capital	24,480,815	22,245,219
Net liability to equity ratios (%)	12.66%	9.18%

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

9. Undertakings

For details, please refer to descriptions in Note 36 “Commitments” to the “Section XII Financial Report”.

10. Contingent liabilities

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

11. Events Occurring After the Reporting Period

For details, please refer to descriptions in Note 40 “Events Occurring After The Reporting Period” to the “Section XII Financial Report”.

Section VI Management Discussion and Analysis

(II) Analysis on assets and liabilities

1. Assets and Liabilities

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

Items	Closing balance	The percentage of closing balance to the total assets (%)	Opening balance	The percentage of opening balance to the total assets (%)	Change in the closing balance as compared with the opening balance (%)	Explanations
Right-of-use assets	701,329	1.81	-	-	100.00	The increase in right-of-use assets was mainly due to the recognition of the right to use the lease assets during the lease term as right-of-use assets as a result of the implementation of the new lease standards during the Reporting Period. Pursuant to the transition requirements of the new standards, no adjustment was made to the comparable figures for the same period of the previous year.
Intangible assets	376,042	0.97	277,372	0.80	35.57	The increase in intangible assets was mainly due to the increase in mining rights during the Reporting Period.
Long-term prepaid rental expenses	-	-	20,144	0.06	-100.00	The decrease in long-term prepaid rental expenses was mainly due to the long-term prepaid rental expenses related to lease in the balance sheet at the end of the previous year presented to the right-of-use assets as a result of the implementation of the new lease standards during the Reporting Period. Pursuant to the transitional requirements of the new standards, no adjustment was made to the comparable figures in the financial statement in the previous year.
Deferred income tax assets	518,505	1.34	252,461	0.73	105.38	The increase in deferred income tax assets was mainly due to the deferred income tax assets of American projects recognized for deductible losses and temporary differences during the Reporting Period.

Section VI Management Discussion and Analysis

Items	Closing balance	The percentage of closing balance to the total assets (%)	Opening balance	The percentage of opening balance to the total assets (%)	Change in the closing balance as compared with the opening balance (%)	Explanations
Other non-current assets	180,000	0.46	843	0.00	21,252.31	The increase in other non-current assets was mainly due to the reclassification of the loan due from Jinken Glass Industry Shuangliao Co., Ltd. whose assets and equity interests held by its shareholders have been pledged to the Company from "Trade receivables and other receivables" under this item as the Company extended the term of the loan and the repayment period is more than 1 year as at the end of the Reporting Period.
Financial assets at fair value through profit or loss	860,894	2.22	387,262	1.12	122.30	The increase in financial assets at fair value through profit or loss was mainly due to the increase in structured deposits with principle guarantee holding as at the end of the Reporting Period.
Financial assets at fair value through other comprehensive income	784,418	2.02	-	-	100.00	The increase in financial assets at fair value through other comprehensive income was mainly due to the following reason. In 2019, the Group settle payments with more suppliers using endorsement of bank acceptance bills, and the Group discounted and terminated part of bank acceptance notes according to its daily fund management needs. Therefore, the Group classified and listed bank acceptance notes as financial asset at fair value through other comprehensive income at the end of the year (At the end of 2018, the Group kept certain bank acceptance notes in order that the subsidiaries obtain certain pledged notes quota from commercial banks and acquire the bank acceptance notes to settle the payment. These bank acceptance notes are almostly held due to collect contractual cash flow, so they are treated as financial assets measured at amortised cost and reported as trade and other receivables).
Derivative financial instruments – Current assets	85	0.00	47,542	0.14	-99.82	The change in derivative financial instruments – current assets was mainly due to the maturity of derivative financial instruments of the end of last year during the Reporting Period.
Restricted cash	3,485	0.01	8,317	0.02	-58.10	The decrease in restricted cash was mainly due to the decrease in the tariff guaranteed deposits placed originally during the Reporting Period.
Cash and cash equivalents	8,352,669	21.51	6,357,656	18.43	31.38	The increase in cash and cash equivalents was mainly due to the increase in cash reserve as a result of the increase in demands for the working capital.

Section VI Management Discussion and Analysis

Items	Closing balance	The percentage of closing balance to the total assets (%)	Opening balance	The percentage of opening balance to the total assets (%)	Change in the closing balance as compared with the opening balance (%)	Explanations
Lease liabilities	571,282	1.47	-	-	100.00	The increase in lease liabilities was mainly due to the present value of remaining lease payment since the beginning of lease term recognised as the lease liabilities as a result of the implementation of the new lease standards during the Reporting Period. Pursuant to the transitional requirements of the new standards, no adjustment was made to the comparable figures in the financial statement in the previous year.
Lease liabilities due within one year	85,983	0.22	-	-	100.00	The increase in lease liabilities due within one year was mainly due to lease liabilities decreased within one year presented to this item. Pursuant to the transitional requirements of the new standards, no adjustment was made to the comparable figures in the financial statement in the previous year.
Long-term payables	72,491	0.19	-	-	100.00	The increase in long-term payables was mainly due to payment by Hainan Wenchang Fuyao Silica Sand Co., Ltd., a subsidiary, of the profit from the transfer of mining right in annual installments during the Reporting Period and classification of the unpaid part as the long-term payables.
Long-term payables due within one year	3,604	0.01	-	-	100.00	The increase in long-term payables within one year was due to the reclassification of long-term payables estimated decrease within one year under this item.
Borrowings – Current liabilities	9,525,806	24.53	7,153,326	20.73	33.17	The increase in borrowings – current liabilities was mainly due to the increase in loans as a result of the reserve of working capitals during the Reporting Period.
Deferred income on government grants amortized within one year	-	-	47,723	0.14	-100.00	The change in deferred income on government grants was mainly due to the reclassification of deferred income amortized within one year under deferred income on government grants (non-current liabilities).
Deferred income on government grants	673,449	1.73	489,112	1.42	37.69	

Section VI Management Discussion and Analysis

(III) Analysis on industry operating information

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

Analysis on operating information of automobile manufacturing industry

1. Sales volume and Production volume of components and parts

Classification of components and parts

Unit: million square meters (other than percentage)

Classification of components and parts	Accumulation within the year	Sales volume		Accumulative year-on-year increase/decrease (%)	Accumulation within the year	Production volume	
		Accumulation of last year				Accumulation of last year	Accumulative year-on-year increase/decrease (%)
Automotive glass	109.09	117.66		-7.28	109.46	116.80	-6.28

By classification of markets

Unit: million square meters (other than percentage)

Classification of components and parts	Accumulation within the year	Sales volume		Accumulative year-on-year increase/decrease (%)	Accumulation within the year	Production volume	
		Accumulation of last year				Accumulation of last year	Accumulative year-on-year increase/decrease (%)
Automotive glass	89.71	99.41		-9.76	19.38	18.25	6.19

(IV) Analysis on investments

1. Overall analysis on external equity investment

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

Section VI Management Discussion and Analysis

Fujian Fuyao Automotive Aluminium System Co., Ltd. (福建福耀汽車鋁件(福建)有限公司) was established by the Company on February 1, 2019 with the registered capital of RMB150 million, and 100% equity interest of which is held by the Company. Fujian Fuyao Automotive Aluminium System Co., Ltd. is principally engaged in design, development and manufacturing of aluminum alloy parts and other parts, sale of its self-manufactured products and provision of relevant supporting services.

Fujian Fuyao Automotive Trim System Co., Ltd. (福建福耀汽車飾件有限公司), a wholly-owned subsidiary of the Company, and Fujian Triplex Investment Co., Ltd. entered into the Agreement on Transfer of Equity Interests in Jiangsu Fuyao Automotive Trim System Co., Ltd. on March 15, 2019, pursuant to which Fujian Fuyao Automotive Trim System Co., Ltd. acquired 100% equity interests in Jiangsu Fuyao Automotive Trim System Co., Ltd. (江蘇三鋒汽車飾件有限公司) (now renamed as Jiangsu Fuyao Automotive Decoration Co., Ltd. (江蘇福耀汽車飾件有限公司), same below) held by Fujian Triplex Investment Co., Ltd. (福建三鋒投資有限公司) at a price of RMB66 million. Jiangsu Fuyao Automotive Trim System Co., Ltd. is mainly engaged in the manufacturing of automotive decorations and parts, molds and fixtures and sale of its self-manufactured products. Please refer to the announcement dated March 16, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

On August 15, 2019, the Company incorporated Fuyao Technology Development (Suzhou) Co., Ltd. (福耀科技發展(蘇州)有限公司) with a registered capital of RMB50 million, and holds 100% of the equity interest in Fuyao Technology Development (Suzhou) Co., Ltd. Fuyao Technology Development (Suzhou) Co., Ltd. is principally engaged in the intelligent manufacturing and research and development of the industrial robots system, antenna, film and sensor; research and development of analogue technology and optical and electronic technology; and provision of related technical consulting, technology transfer, technical services and technology promotion.

External investments of the Company in 2018 include: (1) Fuyao (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, acquired the 78% equity interest in Sanqi (Xiamen) Precision Manufacturing Co., Ltd. held by Roring Investments Limited at a price of USD12,675,000; (2) Fuyao (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% equity interests in Fujian Triplex Holdings Group Company Limited held by Triplex Holdings Limited at a price of RMB223,765,000; (3) Fuyao (Tongliao) Refined Aluminium Co., Ltd. was established on November 29, 2018, with a registered capital of RMB10 million. It is principally engaged in the production and sale of refined aluminium and aluminium alloy decorations for automobiles.

(1) Significant equity investments

For details, please refer to the acquisition of 100% equity interests in Jiangsu Fuyao Automotive Trim System Co., Ltd., by Fujian Fuyao Automotive Trim System Co., Ltd. (福建福耀汽車飾件有限公司), a wholly-owned subsidiary of the Company, as disclosed in the "Overall analysis on external equity investment" above.

Section VI Management Discussion and Analysis

(2) Financial assets at fair value

Unit: Yuan Currency: RMB

Name of items	Opening balance	Closing balance	Changes in the Reporting Period	Impact on profit for the Reporting Period
Forward foreign exchange contracts	239,690	85,110	-154,580	-11,724,770
Currency swap contracts	44,224,931		-44,224,931	-5,368,011
Short call on foreign exchange		-3,795,000	-3,795,000	-2,312,000
Structured deposits	385,860,411	860,894,383	475,033,972	77,075,247
Principal-guaranteed wealth management products with the gains linked with J.P. Morgan MOZAIC WEEKLY Index	1,401,366		-1,401,366	5,415,022
Financial assets at fair value through other comprehensive income		784,417,775	784,417,775	-10,431,971
Total	431,726,398	1,641,602,268	1,209,875,870	52,653,517

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

(V) Material disposal of assets and equities

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

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

Section VI Management Discussion and Analysis

In the first half of 2019, Taiyuan Jinnuo made an application again to the Company for changing the payment date of the transfer payment for the remaining 24% equity interest in Beijing Futong due to its financial strain. As considered and approved at the eleventh meeting of the ninth session of the Board of Directors of the Company on August 28, 2019, 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, 2020. Meanwhile, it is agreed that Taiyuan Jinnuo shall pay interest at 8% per annum of the remaining 24% equity interest in Beijing Futong.

The Company has recognized investment revenue of RMB664,032,500 from the transfer of the equity interests in Beijing Futong and recorded an increase of RMB682,452,200 in cash flow in 2018. During the Reporting Period, the Company confirmed the interest income of RMB12,397,800.

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

Section VI Management Discussion and Analysis

(VI) Analysis of principal controlled and investee companies.

Unit: 0'000 Currency: RMB (Unless otherwise stated)

The 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 sales of automotive glass products	74,514.95	353,284.20	174,773.55	227,096.52	70,417.15	66,320.13
Fuyao Group (Shanghai) Automobile Glass Co., Ltd.	Manufacturing enterprise	Production and sales of automotive glass products	USD 68,048,800	463,899.93	126,087.12	237,664.33	57,051.57	51,874.56
Guangzhou Fuyao Glass Co., Ltd.	Manufacturing enterprise	Production of special glass made of inorganic nonmetallic materials and products	USD 75,000,000	325,889.71	113,027.23	217,619.27	52,576.10	44,965.72
Tianjin Hongde Auto Glass Co., Ltd. (天津泓德汽車玻璃有限公司)	Manufacturing enterprise	The production, design, technical research and development and sales of automotive glass and components and parts	40,000	194,579.10	74,434.90	165,233.27	35,717.18	30,911.92
Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司)	Manufacturing enterprise	Production and sales of float glass and relevant glass products	50,000	137,065.96	79,427.44	81,849.24	35,197.23	30,019.90
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sales of automotive glass products	USD 330,000,000	622,111.11	67,449.28	390,742.62	12,829.09	9,706.67

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

Section VII Significant Events

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

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

1. Cash dividend policies of the Company:

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

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

2. During the Reporting Period, the Company carried out annual profit distribution plan for 2018: cash dividends of RMB7.50 per 10 shares (tax inclusive) were distributed based on the total issued share capital of 2,508,617,532 shares of the Company with the total dividends amounting to RMB1,881,463,149. The distribution date of cash dividends of A shares was May 29, 2019, and the distribution date of cash dividends of H shares was June 28, 2019.

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

Unit: '000 Currency: RMB

Dividend Year	Bonus share for every 10 shares (share)	Dividend for every 10 shares (yuan) (tax inclusive)	Conversion into share capital for every 10 shares (share)	Amount of cash dividends (tax inclusive)	Annual profit attributable to owners of the Company in the consolidated statements for the dividend year	Percentage of annual profit attributable to owners of the Company in the consolidated statements (%)
2019	0	7.5	0	1,881,463	2,897,868	64.93
2018	0	11.50	0	2,884,910	4,119,935	70.02
2017	0	7.50	0	1,881,463	3,148,221	59.76

Section VII Significant Events

II. PERFORMANCE OF UNDERTAKINGS

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

Nature of the undertaking	Type of the Undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly
Other undertakings	Dividend	Fuyao Glass Industry Group Co., Ltd.	For details, please refer to the Dividend Distribution Plan for the Upcoming Three Years (2018–2021) of Fuyao Glass Industry Group Co., Ltd. dated May 12, 2018 published on the Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).	Date of announcement of the undertaking: May 12, 2018, term of performance of the undertaking: January 1, 2018 to December 31, 2020	Yes	Yes

1. Non-competition

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

For the purpose of compliance with the Non-Competition Undertakings, the Company requested the abovementioned shareholders and their associates to present a written confirmation ("the Written Confirmation"), confirming that they have adhered to such Non-Competition Undertakings for the year. Upon receiving such Written Confirmation, the Audit Committee of the Company has reviewed the same as part of the annual review process. In the annual review conducted to determine whether the abovementioned substantial shareholders have fully complied with such Non-Competition Undertakings in 2019, the Audit Committee of the Company noted that (1) the substantial shareholders declared that they had fully complied with the Non-Competition Undertakings for the financial year ended December 31, 2019; (2) no new competing business was reported by such substantial shareholders in 2019; (3) there was no particular situation rendering the full compliance with the Non-Competition Undertakings being questionable.

In light of the above, the Company confirms that, the abovementioned substantial shareholders have fully complied with their Non-Competition Undertakings for the year ended December 31, 2019.

Section VII Significant Events

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

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

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

IV. THE APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: '0,000 Currency: RMB

Current appointment

Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)	
Remuneration of the domestic accounting firm		426
Term of audit of the domestic accounting firm		18
Name of the overseas accounting firm	PricewaterhouseCoopers	
Remuneration of the overseas accounting firm		107
Term of audit of the overseas accounting firm		5

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

Note: Save for the above, in 2019, the Company also paid RMB957,300 to PricewaterhouseCoopers as auditor's consultation fee, due diligence fee and other non-audit business expenses. All of the aforesaid data is tax inclusive.

Explanations for change of the accounting firm during the auditing period

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

V. MATERIAL LITIGATION AND ARBITRATION

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

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

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

Section VII Significant Events

VII. SUBSTANTIAL CONNECTED TRANSACTIONS

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

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

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

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

For the year ended December 31, 2019, the approved annual caps and the amount of transactions incurred in relation to non-exempt continuing connected transactions under the lease agreement between Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, and Global Cosmos German Limited and/or its associates for the above services are set out as below:

Nature of the transaction:	Annual caps on transaction amount in 2019	Consolidated transaction amount in 2019
Expenses of Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, arising from leasing the properties of Global Cosmos German Limited and/or its associates under the lease contract	€2.98 million	€2.4979 million

Note: The rent was determined by both parties through negotiations with reference to the market price of the place where the leased properties are located; the consolidated transaction amount in 2019 was exclusive of tax of €0.4746 million.

Section VII Significant Events

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

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

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

For the year ended December 31, 2019, the approved annual caps and the transaction amount incurred in relation to the non-exempt continuing connected transactions contemplated under the contract between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transaction amount in 2019	Consolidated transaction amount in 2019
Expenses of the Company arising from leasing the properties of Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates under the lease contract	Approximately RMB29,000,000	RMB28,509,100

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

The independent non-executive directors of the Company have reviewed the above two non-exempt continuing connected transactions conducted in 2019 and confirmed that the connected transactions were:

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

Section VII Significant Events

The Board of Directors of the Company has received a confirmation letter in relation to the above two non-exempt continuing connected transactions conducted in 2019 from PricewaterhouseCoopers, the auditor of the Company, confirming with respect to the continuing connected transactions as at December 31, 2019 that:

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

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

On March 15, 2019, Fuyao Automotive Decoration, a wholly-owned subsidiary of the Company, and Fujian Triplex Investment Co., Ltd. entered into the Equity Transfer Agreement, pursuant to which Fujian Fuyao Automotive Decorations Co., Ltd. will acquire 100% equity interests in Jiangsu Triplex Decoration from Fujian Triplex Investment Co., Ltd. at cash consideration of RMB66 million. In addition, Fuyao Automotive Decoration will be obliged to make the Capital Contribution of RMB185 million upon completion of the Equity Transfer.

Through this transaction, the Company will better supply integrated products for automobile manufacturers with increased product added value, while further increasing the scale of our automobile accessories and expanding our reach in the field of automobile components, as well as to provide automobile manufacturers with high quality products and services, enhance the cooperation stickiness with them, and improve the comprehensive competitiveness of the Company, which is in line with the long-term strategic development of the Company.

Fujian Triplex Investment Co., Ltd. is 100% directly owned by Mr. Tso Fai, a non-executive director and vice chairman of the Company and therefore was an associate of Mr. Tso Fai. As such, in accordance with the rules under Chapter 14A of the Hong Kong Listing Rules, Fujian Triplex Investment Co., Ltd. is a connected person of the Company, and the transaction constituted a connected transaction of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Transaction (individually or when aggregated with the transaction in relation to the Group's acquisition of 100% equity interests in Fujian Triplex Holdings Group Co., Limited (福建三鋒控股集團有限公司) (please refer to the announcement of the Company dated June 26, 2018 for details)) exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Section VII Significant Events

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

1. Matters disclosed in provisional announcements but without developments or changes in subsequent implementation

Description of the matter

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

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2019 and the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2019 were considered and approved at the seventh meeting of the ninth session of the Board of Directors of the Company convened on October 25, 2018.

Given that the original lease contract would expire on December 31, 2018, the Resolution in Relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company was considered and approved at the seventh meeting of the ninth session of the Board of Directors of the Company convened on October 25, 2018. The Company has leased the warehouse on underground floor 1, staff cafeteria and training center and staff dormitory of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a total area of 150,140.54 m² from Fujian Yaohua Industrial Village Development Co., Ltd. at a monthly rent of RMB2,402,248.64, aggregating to an annual rent of RMB28,826,983.68. The term of the lease is three years from January 1, 2019 to December 31, 2021.

Inquiry index

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

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 26, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>).

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to the Lease of Properties by the Company dated October 26, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>) and the Announcement on Renewal of the Continuing Connected Transaction under the Lease Contract dated October 26, 2018 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Section VII Significant Events

Connected transactions in relation to the daily operations in 2019 are as below (having been disclosed in temporary announcements):

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Estimated amounts in 2019	Actual amounts in 2019	Percentage of amount of the same type of transactions (%)	Settlement method of connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Purchase of goods and equipment	Procurement of raw and auxiliary materials	Market price	14,000.00	7,488.90	33.00	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Purchase of goods and equipment	Procurement of raw and auxiliary materials	Market price	25,000.00	15,207.65	67.00	60 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	20.00	13.18	9.99	60 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	80.00	118.79	90.01	Settle in the current month
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	130.00	108.20	100	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from property leasing	Market price	8.00	6.62	100	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from management consultation	Agreed price	300.00	185.81	80.08	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflows	Revenue from management consultation	Market price	80.00	46.21	19.92	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	2,882.70	2,850.91	59.31	Payment before June 30
Global Cosmos German Limited	Others	Other outflows	Leasehold property	Market price	2,327.88	1,956.20	40.69	Payment before June 30
Total					44,828.58	27,982.47		

Note: The actual amounts for the sale of finished goods and raw and auxiliary materials in 2019 incurred between the Company and Jinken Glass Industry Shuangliao Co., Ltd. exceeds the estimated amount for 2019, but due to the smaller amount, such connected transaction is not required to be submitted to the Board of Directors of the Company for consideration according to the relevant provisions of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (revised in April 2019) and Articles of Association.

Section VII Significant Events

2. Events not disclosed in provisional announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Amounts of the connected transaction	Percentage of amount of the same type of transactions (%)	Settlement method of connected transaction
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of equipment	Market price	64.66	100	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other outflows	Expenses from management consultation	Market price	0.96	100	30 days upon the invoice date
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	Associate	Acceptance of labor services	Product accessories installation service	Cost plus reasonable profit	237.77	100	30 days upon the invoice date
Total				/	<u>303.39</u>	/	/

Notes to the connected transaction

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

(IV) Connected transactions in relation to asset or equity acquisition or disposal

1. Matters disclosed in provisional announcements but without developments or changes in subsequent implementation

Description of the matter

In order to better supply integrated products for automobile manufacturers with increased product added value, while further increasing the scale of our automobile accessories and expanding our reach in the field of automobile components, as well as to provide automobile manufacturers with high quality products and services, enhance the cooperation stickiness with them, and improve the comprehensive competitiveness of the Company, Fujian Fuyao Automotive Decorations Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% equity interests in Jiangsu Triplex Automotive Decoration Co., Ltd. from Fujian Triplex Investment Co., Ltd. at a total consideration of RMB66 million.

Inquiry index

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on the Acquisition of 100% Equity Interests in Jiangsu Triplex Automotive Decoration Co., Ltd. by a Wholly-owned Subsidiary and Connected Transaction dated March 16, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>), and the Connected Transaction Acquisition of 100% Equity Interests in Jiangsu Triplex Automotive Decoration by Fuyao Automotive Decoration dated March 16, 2019 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Section VII Significant Events

(V) Amounts due to or from connected parties

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

The Resolution in Relation to Provision of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and its Domestic Subsidiaries and the Resolution in Relation to Provision of Guarantees of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and the Connected Transactions were considered and approved at the twelfth meeting of the eighth session of the Board of Directors of the Company on February 24, 2017, and the Resolution in Relation to Provision of Guarantees of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and the Connected Transactions was considered and approved at the 2016 annual general meeting on April 26, 2017, which approved the Company and its domestic subsidiaries to grant a loan to Jinken Glass Industry Shuangliao Co., Ltd. (hereinafter referred to as "Jinken Glass"), with a limit of no more than RMB90,000,000, a term of no more than 24 months, and an interest rate of no less than the RMB benchmark loan interest rate of financial institutions as published by the PBOC for the corresponding period; which approved the Company and its domestic subsidiaries to grant a guarantee to Jinken Glass Industry Shuangliao Co., Ltd., with a limit of no more than RMB190,000,000. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loans to Connected Parties and Related Guarantee in Relation to Fuyao Glass Industry Group Co., Ltd. dated February 25, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

In order to speed up the progress of the project of Jinken Glass and enable it to provide the steady supply of raw materials to the Company as soon as possible, the Company adjusted the amount of loans granted by the Company and its subsidiaries in the PRC to Jinken Glass from not more than RMB90,000,000 to not more than RMB190,000,000 with a term of not more than 24 months and an interest rate of no less than the benchmark interest rate of Renminbi loans offered by financial institutions as published by the People's Bank of China for the corresponding period, which had been considered and approved at the fifteenth meeting of the eighth session of the Board held on August 4, 2017. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loan to Connected Parties dated August 5, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Before the expiry of loan term, Jinken Glass made a request to the Company for extending the loan term due to its financial constraints. Considering that Jinken Glass can provide a stable supply of raw materials for the Company and has the repayment ability, on March 15, 2019, the Board of Directors of the Company agreed to extend the loan term of the abovementioned related loans to August 15, 2021 after being considered and approved by the ninth meeting of the ninth session of the Board of Directors of the Company. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to Extension of Related Loan Repayment Terms dated March 16, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

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

Section VII Significant Events

VIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

(i) Guarantee

Unit: '0,000 Currency: RMB

External guarantees of the Company (excluding guarantees to subsidiaries)

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

Guarantees of the Company and its subsidiaries to subsidiaries

Total amount of the guarantees to subsidiaries during the Reporting Period	30,000
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	169,524

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

Total amount of guarantees (A+B)	169,524
Total amount of guarantees as a percentage of the net assets of the Company (%)	7.93
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

Section VII Significant Events

(ii) Cash and Assets Management by Entrusting

1. Entrusted wealth management

(1) Overall status of entrusted wealth management

Unit: '0,000 Currency: RMB

Type	Capital source	Amounts	Outstanding balance	Amounts overdue but not yet recovered
Bank financial products	Self-owned resources	468,500.00	85,000.00	0

- Notes:*
- The Company held the Second Meeting of the Ninth Session of the Board of Directors on March 16, 2018, considered and approved the Resolution on the Company's Entrusting Wealth Management With Its Self-owned Resources, which agreed that the Company could use its self-owned resources not more than RMB3.5 billion to purchase principal-guaranteed wealth management products within a period of 12 months from the date of passing the above proposal at the meetings of the Board of Directors (within the above quota, the funds can be used on a rolling basis);
 - The Company held the Ninth Meeting of the Ninth Session of the Board of Directors on March 15, 2019, considered and approved the Resolution on the Company's Entrusting Wealth Management With Its Self-owned Resources, which agreed that the Company could use its self-owned resources not more than RMB3.5 billion to purchase principal-guaranteed wealth management products within a period of 12 months from the date of passing the above resolution at the meetings of the Board of Directors (within the above quota, the funds can be used on a rolling basis).

Section VII Significant Events

IX. EXPLANATIONS OF OTHER SIGNIFICANT EVENTS

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

X. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty Alleviation by the Company

1. Targeted Poverty Alleviation Planning

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

2. Summary of Annual Targeted Poverty Alleviation

According to the information provided by Heren Charitable Foundation, during the Reporting Period, Heren Charitable Foundation established via 300 million shares of Fuyao Glass Industry Group Co., Ltd. held by Mr. Cho Tak Wong has made a donation outlay of RMB179.27 million, of which, RMB53.15 million was utilized in the targeted poverty alleviation projects, comprising:

- the donation of RMB4 million to the Department of Education of Xinjiang Uygur Autonomous Region for the construction of phase III of Xinjiang Healthy Water Loving Care Project, supporting the purchase of water purification equipment for 80 primary and middle schools in the poverty-stricken areas in southern Xinjiang to resolve the issue of healthy water for teachers and students;
- the donation of RMB6 million to Fumin Foundation (富閩基金會) for supporting the students with excellent moral and academic performance from poverty-stricken families in Fujian Province to complete their studies;
- the donation of RMB1.5 million to Hong'an county in Hebei to boost the development of underprivileged villages and the construction of beautiful countryside;

Section VII Significant Events

- the donation of RMB0.2 million to China Society for Promotion of the Guangcai Program for boosting the planting and breeding project in Zhijin county, Guizhou;
- the donation of RMB0.5 million to Guyuan, Ningxia to finance the sight rehabilitating surgeries for 500 impoverished cataract patients in Southern Ningxia;
- the donation of RMB12.5 million to the People's Government of Fujian province for supporting the project of Targeted Medical Poverty Alleviation for the registered needy families in the whole province;
- the donation of RMB6 million, RMB2 million, RMB1.6 million, and RMB1.5 million to each of Nanjing University, Fujian Medical University, Fujian Agriculture and Forestry University and Northwest A&F University (in an aggregate of RMB11.1 million) for setting up sponsorship and scholarship programs to assist impoverished undergraduates to finish their courses;
- the donation of RMB2 million to Fujian Provincial Foundation for Disabled Persons for the "Comfortable Housing for the Disabled" program in Nanping, Fujian;
- the donation of RMB2 million for Fuqing Charity Federation to provide relief for persons in Fuqing including "orphans, elderly people of no family, those who have lost family members and self-reliance ability, senior Party members, veteran specialists, aged teachers, veterans and old models";
- the donation of RMB2 million to Fuzhou Population Welfare Foundation for student sponsorship programs, and to support households under planned parenthood suffering serious illness and other adversities;
- the donation of RMB1 million to Fujian Women and Children Development Foundation for the relief of orphans and disabled children in the whole province;
- the donation of RMB0.2 million to China Association Non-profit Organization to support the construction of libraries in poverty-stricken areas of Three Regions and Three Prefectures;
- the donation of RMB10 million to Chongqing Productivity Development Center for the Intellectual Assistance Program of Chongqing to support poverty alleviation undertakings of industrial development, infrastructure and education, etc.;
- the donation of RMB0.15 million to Shenzhen Yatai International Philanthropy Education Foundation for supporting aesthetic education for blind children.

Section VII Significant Events

3. Achievements of Targeted Poverty Alleviation

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	
Including: 1. Fund	5,315
2. Value of materials	0
3. Number of poor people helped to be removed from administrative record for poverty registering (<i>Person</i>)	7,050
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	
	<input checked="" type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	10
1.3 Amount invested in industrial poverty alleviation projects	170
1.4 Number of poor people helped to be removed from administrative record for poverty registering (<i>Person</i>)	500
2. Poverty alleviation through shift of occupation	
3. Poverty alleviation through relocation	
4. Poverty alleviation through education	
Including: 4.1 Amount invested in subsidizing poor students	1,710
4.2 Number of students receiving allowance (<i>Person</i>)	4,250
4.3 Amount invested in improving educational resources in the poverty-stricken areas	1,035
5. Poverty alleviation through health enhancement	
Including: 5.1 Amount invested in medical and health resources in poverty areas	1,900
6. Poverty alleviation through ecological protection	
7. Basic guarantee	
Including: 7.1 Amount invested in helping left-behind children, elderly and women	200
7.2 Number of left-behind children, elderly and women funded (person)	2,000
7.3 Amount invested in helping the poor disabled people	300
7.4 Number of poor disabled people funded (person)	300
8. Poverty alleviation in the society	
9. Others	
III. Awards (title & level)	
Mr. Cho Tak Wong, the chairman of the Board of Directors, was awarded the National Contribution Prize for Poverty Alleviation(全國脫貧攻堅奉獻獎) by the State Council Leading Group Office of Poverty Alleviation and Development.	

Section VII Significant Events

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

4. Subsequent Targeted Poverty Alleviation Plan

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

Heren Charitable Foundation, established via 300 million shares of Fuyao Glass Industry Group Co. Ltd. held by Mr. Cho Tak Wong, will contribute further to the three-year initiative for winning the anti-poverty battle in respect of health in the “Three Regions and Three Prefectures” launched by the State Council Poverty Alleviation Office and the National Health Commission. In the three years from 2019 to 2021, it will emphatically support areas in gripping poverty and special crowds with poverty problems in the “Three Regions and Three Prefectures”, comprising Tibet Autonomous Region, four prefectures in southern Xinjiang (Hotan, Aksu, Kashi, Kizilsu Kirgiz Autonomous Prefecture) and the Tibetan regions covered by the four provinces (Sichuan, Yunnan, Gansu, Qinghai), as well as the Liangshan Yi Autonomous Prefecture in Sichuan Province, Nujiang Lisu Autonomous Prefecture in Yunnan Province, and Linxia Hui Autonomous Prefecture in Gansu Province (collectively referred to as the “three prefectures”). The anti-poverty battle in respect of health will mainly focus on the prevention of such infectious diseases as hydatid disease, Kashin-Beck disease, AIDS, tuberculosis, etc. Now we are communicating and demonstrating specific projects with the six provinces involved in the Three Regions and Three Prefectures, which will enter the specific implementation stage later. Other targeted poverty alleviation projects are also making steady progress and achieving tangible results. In the next phase, we will continue to support targeted poverty alleviation projects.

(II) Social Responsibility

For details, please refer to the 2019 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. prepared pursuant to the relevant requirements of the SSE and separately issued on the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the 2019 Environmental, Social and Governance Report published by the Company in accordance with Appendix 27 of the Hong Kong Listing Rules.

Section VII Significant Events

(III) Environmental Information

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

- (1) Information on pollutant discharging

Chongqing Wansheng Float Glass Co., Ltd. (a wholly-owned subsidiary of the Company, hereinafter referred to as "Chongqing Float Glass") is listed as the "Polluting Enterprise under Key Supervision by the State" by the Ministry of Environmental Protection. Chongqing Float Glass mainly produces high-quality float glass with two production lines with a daily melting capacity of 600 tons, taking the natural gas as the production fuel. The exhaust gas produced in the natural gas burning will be discharged through 100 m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, 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 chimneys, among which No. WSFQG0010322 waste gas discharge outlet discharges special pollutants including smoke, SO₂ and NO_x with the emission concentration of 15.69mg/m³, 124.6mg/m³ and 388.48mg/m³ respectively, and No. WSFQG0010336 discharge outlet discharges special pollutants including smoke, SO₂ and NO_x with the emission concentration of 15.91mg/m³, 226.27mg/m³ and 598.81mg/m³ respectively, the total emission quantity of 18.15t/a, 98.98t/a and 221.29t/a respectively and the total permitted emission quantity of 81.321t/a, 650.62t/a and 1,138.59t/a, respectively. The above emission concentrations are lower than the national emission standards, and the total emission quantity is lower than the total amount verified by the environmental protection authority.

The Company adheres to the equal emphasis on development and environment. In order to reduce the emission of air pollutants, and decrease the emission quantity of pollutants, Chongqing Float Glass has two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration with a designed treatment capacity of 100,000 m³/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 to 80,000 m³/hour.

Section VII Significant Events

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

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

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

The project of Chongqing Float Glass has passed the EIA approval and the completion and environmental protection acceptance by the Environmental Protection Bureau of Wansheng Economic Development Zone of Chongqing. Chongqing Float Glass strictly implements national emission standards and is committed to improving environment to minimise the impact on the surrounding areas.

(4) Contingency plan for environmental emergencies

Chongqing Float Glass proposes measures and constructs facilities to reduce the probability of environmental emergencies in terms of technology, engineering and management, comprehensively evaluates the risk prevention and control capabilities for environmental emergencies, and accurately determines the environmental risk level of the Company's environmental emergencies. On the basis of environmental risk assessment, the Contingency Plan for Environmental Emergencies was revised and improved. The plan has been reviewed by environmental experts and filed with the local Environmental Protection Bureau to ensure environmental safety.

(5) Environmental self-monitoring program

Chongqing Float Glass carries out self-monitoring in combination of automatic monitoring and manual monitoring. In accordance with the pollutant discharge (control) standards of the state and Chongqing, and based on the characteristics of the flat glass manufacturing industry and the requirements on environmental assessment, acceptance data and sewage discharge permit, Chongqing Float Glass establishes standard discharge outlets, and uses automatic monitoring devices to continuously monitor real-time exhaust gas, smoke and dust, sulfur dioxide, and nitrogen oxides data of glass furnace all day and transmits the same to the environmental protection authority. Manual monitoring is conducted in case of failure of the automatic monitoring facility. For the indicators that cannot be monitored by the online monitoring equipment, the Company mainly entrusts a qualified environmental monitoring agency for manual monitoring or evaluation and issue of monitoring reports.

(6) Other environmental information that should be disclosed

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

Section VII Significant Events

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

(1) Float glass business division

In addition to Chongqing Wansheng Float Glass Co., Ltd., another three float glass business divisions of the Company, i.e. Fuyao Glass Industry Group Co., Ltd. ("Fuqing Float"), Fuyao Group Tongliao Ltd. ("Tongliao Float") and Benxi Fuyao Float Glass Co., Ltd. ("Benxi Float") have an emission concentration below national emission standards and a total emission amount below the total amount verified by the environmental protection authority.

Fuqing Float mainly produces high-quality float glass with three production lines with a daily melting capacity of 600 tons, Tongliao Float mainly produces high-quality float glass with two production lines with a daily melting capacity of 600 tons and Benxi Float mainly produces high-quality float glass with two production lines with a daily melting capacity of 600 tons, all taking the natural gas as the production fuel. The exhaust gas produced in the natural gas burning will be discharged through 100 m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, 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, Tongliao Float has built two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration and Benxi Float has built two sets of kiln gas dust removal and denitration facilities adopting an integrated facilities for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter), each with a designed treatment capacity of 100,000 m³/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000-80,000 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 printing waste gases including benzene, toluene and xylene; waste water generated in washing glass including COD, ammonia nitrogen, BOD₅ and SS; waste liquid and waste residue, waste ink box, waste encapsulated glass barrel, used oil, oily waste cloth and other hazardous wastes.

For the abovementioned pollutants, the Company mainly adopts the following method for treatment: discharge of printing and drying waste gas via the 15 m exhaust funnel; installation of reclaimed water recycling and treatment system; the treatment process is sedimentation + flocculation and flotation + sand filtration and carbon filtration, which is used to treat and recycle waste water generated in washing glass; qualified companies are entrusted to treat hazardous wastes; general solid wastes including leftover glass materials are recycled by the group companies; and the public sanitation department is responsible for transportation and treatment of domestic wastes.

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

Section VIII Changes in Ordinary Shares and Information of Shareholders

I. CHANGES IN ORDINARY SHARES

(I) Changes in ordinary shares

1. Changes in ordinary shares

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

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the Reporting Period

Unit: Share Currency: RMB

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

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

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

As at the end of the Reporting Period, the current bonds has completed interest payment, redemption and delisting. For details, please refer to “Section XI Relevant Information of Corporate Bonds”.

Section VIII Changes in Ordinary Shares and Information of Shareholders

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Total number of shareholders

As at the end of the Reporting Period, total number of shareholders of the Company was 97,839, of which, 97,784 were holders of A shares and 55 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	97,839
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed	130,253
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0
Total number of shareholders of preference shares with voting rights restored as at the end of the month preceding the day when the annual report was disclosed	0

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

Unit: Share

Name of shareholder (Full name)	Particulars of top 10 shareholders			Number of shares held with selling restrictions	Pledged or moratorium		Nature of shareholders
	Increase/decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage		Status of shares	Number	
HKSCC NOMINEES LIMITED <i>(Note)</i>	400	491,740,000	19.60	Unknown		Unknown	
Sanyi Development Limited	0	390,578,816	15.57	Nil		Overseas legal person	
Heren Charitable Found	0	290,000,000	11.56	Nil		Domestic non-state-owned legal person	
Hong Kong Securities Clearing Company Limited	-57,848,695	225,622,441	8.99	Unknown		Unknown	
Bai Yongli	0	34,653,315	1.38	Unknown		Unknown	
Fujian Yaohua Industrial Village Development Co., Ltd.	0	34,277,742	1.37	Pledged	24,000,000	Domestic non-state-owned legal person	
China Universal Asset Management Company Limited – Social Security Fund Portfolio 1103	17,799,985	32,800,000	1.31	Unknown		Unknown	
China Securities Finance Corporation Limited	0	28,095,495	1.12	Unknown		Unknown	
China Life Insurance Company Limited –Traditional– Ordinary Insurance Products – 005L – CT001 Hu	26,064,937	27,585,361	1.10	Unknown		Unknown	
China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Hu	27,430,302	27,532,302	1.10	Unknown		Unknown	

Section VIII Changes in Ordinary Shares and Information of Shareholders

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED <i>(Note)</i>	491,740,000	Overseas listed foreign shares	491,740,000
Sanyi Development Limited	390,578,816	Ordinary shares denominated in RMB	390,578,816
Heren Charitable Foundation	290,000,000	Ordinary shares denominated in RMB	290,000,000
Hong Kong Securities Clearing Company Limited	225,622,441	Ordinary shares denominated in RMB	225,622,441
Bai Yongli	34,653,315	Ordinary shares denominated in RMB	34,653,315
Fujian Yaohua Industrial Village Development Co., Ltd.	34,277,742	Ordinary shares denominated in RMB	34,277,742
China Universal Asset Management Company Limited– Social Security Fund Portfolio 1103	32,800,000	Ordinary shares denominated in RMB	32,800,000
China Securities Finance Corporation Limited	28,095,495	Ordinary shares denominated in RMB	28,095,495
China Life Insurance Company Limited –Traditional–Ordinary Insurance Products – 005L – CT001 Hu	27,585,361	Ordinary shares denominated in RMB	27,585,361
China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Hu	27,532,302	Ordinary shares denominated in RMB	27,532,302

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

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

Note: HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司) holds shares on behalf of various beneficial owners.

Section VIII Changes in Ordinary Shares and Information of Shareholders

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

As at December 31, 2019, 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 (Chairman of Board of Directors and an executive director) ⁽¹⁾	Beneficial owner/spouse interest/interest of controlled corporation	425,171,386(L)	21.23(L)	16.95(L)	A share
Tso Fai (Vice Chairman of the Board of Directors and non-executive director) ⁽²⁾	Interest of controlled corporation	12,086,605(L)	0.60(L)	0.48(L)	A share

Notes:

- (1) Mr. Cho Tak Wong directly holds 314,828 A shares (L) and indirectly holds 390,578,816 A shares (L) through Sanyi Development Limited. In addition, Mr. Cho Tak Wong is deemed to be interested in the 34,277,742 A shares (L) indirectly held by his spouse, Ms. Chan Fung Ying.
- (2) Mr. Tso Fai indirectly holds 12,086,605 A shares (L) through Homekiu Overseas Holdings Limited.
- (3) The percentage is based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2019.
- (4) (L) – long position.

Save as disclosed above, as at December 31, 2019, none of directors, supervisors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Section VIII Changes in Ordinary Shares and Information of Shareholders

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

As at December 31, 2019, 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 ⁽⁴⁾ (%)	Percentage of total issued share capital of the Company ⁽⁴⁾ (%)	Class of shares
Chan Fung Ying ⁽¹⁾	Spouse interest/interest of controlled corporation	425,171,386(L)	21.23(L)	16.95(L)	A share
Sanyi Development Limited	Beneficial owner	390,578,816(L)	19.50(L)	15.57(L)	A share
Heren Charitable Foundation	Beneficial owner	290,000,000(L)	14.48(L)	11.56(L)	A share
Matthews International Capital Management, LLC	Investment manager	86,692,400(L)	17.14(L)	3.46(L)	H share
Mawer Investment Management Ltd.	Investment manager	45,305,087(L)	8.96(L)	1.81(L)	H share
Royal Bank of Canada ⁽²⁾	Interest of controlled corporation	52,797,990(L)	10.44(L)	2.10(L)	H share
Mitsubishi UFJ Financial Group, Inc. ⁽³⁾	Interest of controlled corporation	55,773,800(L)	11.03(L)	2.22(L)	H share

Notes:

- (1) Ms. Chan Fung Ying indirectly holds 34,277,742 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua"), of which, 14,000,000 A shares (L) were pledged to China Merchants Securities Co., Ltd. by Yaohua. In addition, she was deemed to have interests in 390,893,644 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) As RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management Inc. and RBC Global Asset Management (U.K.) Limited, the entities controlled by Royal Bank of Canada, held 52,797,990 H shares (L) of the Company in aggregate, Royal Bank of Canada was deemed to have interests in the shares of the Company held by such entities.
- (3) As Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., First State Investments (Hong Kong) Ltd. and First State Investments (Singapore), the entities controlled by Mitsubishi UFJ Financial Group, Inc., held 55,773,800 H shares (L) of the Company in aggregate, Mitsubishi UFJ Financial Group, Inc. was deemed to have interests in the shares of the Company held by such entities.
- (4) The percentage is based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2019.
- (5) (L) – long position.

Save as disclosed above, as at December 31, 2019, there was no person having interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Section VIII Changes in Ordinary Shares and Information of Shareholders

IV. PARTICULARS OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling Shareholder

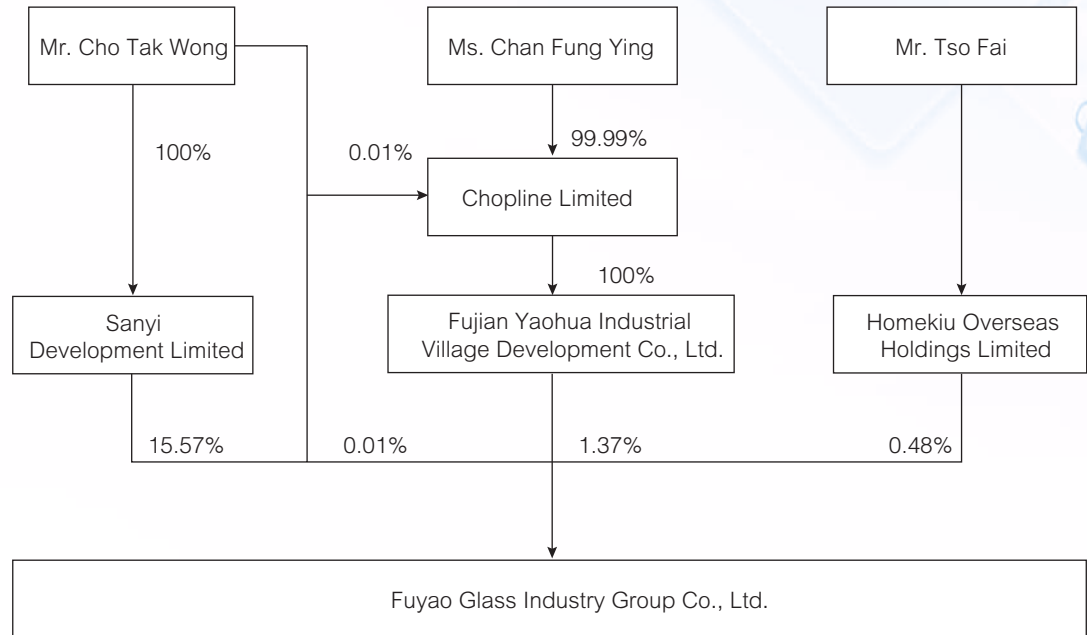
1	Legal person	
	Name	Sanyi Development Limited
	Person-in-charge or legal representative	Cho Tak Wong
	Date of establishment	April 4, 1991
	Principal business	Non-business operation investment shareholding
	Details of controlling interests and investments in other domestic and foreign-listed companies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

(II) De facto controller

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

Section VIII Changes in Ordinary Shares and Information of Shareholders

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



Section VIII Changes in Ordinary Shares and Information of Shareholders

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

Unit: Yuan Currency: RMB

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

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

Section IX Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: Share

Name	Position	Gender	Age	Commencement date of the term	Cessation date of the term	Number of shares held at the beginning of the year (Note)	Number of shares held at the end of the year (Note)	Changes in shares held for the year	Reason for changes	Total remunerations before tax received from the Company during the Reporting Period (RMB'0'000)	Receiving remunerations from connected parties of the Company or not
Cho Tak Wong	Executive Director, Chairman of the Board of Director	Male	73	January 8, 2018	January 7, 2021	314,828	314,828	0		178.55	No
Tso Fai	Non-executive Director, Vice Chairman of the Board of Directors	Male	49	January 8, 2018	January 7, 2021					149.43	No
Ye Shu	Executive Director, President	Male	47	October 30, 2019	January 7, 2021					286.80	No
Chen Xiangming	Executive Director, Chief Financial Officer	Male	49	January 8, 2018	January 7, 2021					240.97	No
	Joint Company Secretary			October 30, 2014	January 7, 2021						
Wu Shinong	Non-executive Director	Male	63	January 8, 2018	January 7, 2021					9.00	No
Zhu Dezhen	Non-executive Director	Female	61	January 8, 2018	January 7, 2021					9.00	No
Cheung Kit Man Alison	Independent Non-executive Director	Female	62	January 8, 2018	January 7, 2021					26.35	No
Liu Jing	Independent Non-executive Director	Male	59	October 30, 2019	January 7, 2021					2.50	No
Qu Wenzhou	Independent Non-executive Director	Male	47	October 30, 2019	January 7, 2021					2.50	No

Section IX Directors, Supervisors, Senior Management and Employees

Name	Position	Gender	Age	Commencement date of the term	Cessation date of the term	Number of shares held at the beginning of the year (Note)	Number of shares held at the end of the year (Note)	Changes in shares held for the year	Reason for changes	Total remunerations before tax received from the Company during the Reporting Period (RMB'000)	Receiving remunerations from connected parties of the Company or not
Bai Zhaohua	Chairman of the Board of Supervisors	Male	68	January 8, 2018	January 7, 2021					234.96	No
Chen Mingsen	Supervisor	Male	72	January 8, 2018	January 7, 2021					15.00	No
Ma Weihua	Supervisor	Male	71	October 30, 2019	January 7, 2021					2.50	No
He Shimeng	Vice President	Male	61	January 8, 2018	January 7, 2021	33,633	33,633	0		276.35	No
Chen Julii	Vice President	Male	53	January 8, 2018	January 7, 2021					463.29	No
Huang Xianqian	Vice President	Male	50	January 8, 2018	January 7, 2021					309.72	No
Lin Yong	Vice President	Male	49	January 8, 2018	January 7, 2021					188.62	No
Wu Lide	Vice President	Male	44	January 8, 2018	January 7, 2021					230.97	No
Li Xiaoxi	Secretary to the Board of Directors	Female	35	January 8, 2018	January 7, 2021	365,600	365,600	0		84.27	No
Liu Xiaozhi (retired)	Independent Non-executive Director	Female	63	January 8, 2018	October 30, 2019					12.50	No
Wu Yuhui (retired)	Independent Non-executive Director	Male	41	January 8, 2018	October 30, 2019					12.50	No
Sun Yiqun (resigned)	Executive Director, Vice President	Female	56	January 8, 2018	August 27, 2019					232.16	No
Total	/	/	/	/	/	714,061	714,061	/	/	2,967.94	/

- Notes:**
- For information on shareholdings of Mr. Cho Tak Wong, please refer to "Interests and short positions of directors, supervisors and chief executives in shares, underlying shares and debentures" under "III. Particulars of Shareholders and De Facto Controllers" of "Section VIII Changes in Ordinary Shares and Information of Shareholders".
 - Ms. Li Xiaoxi holds H shares of the Company while the others hold A shares of the Company.

Section IX Directors, Supervisors, Senior Management and Employees

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

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Ye Shu	<p>Mr. Ye Shu has served as an executive director of the Company since October 2019. Mr. Ye Shu has served as the president of the Company since March 2017, the vice president of the Company from February 2017 to March 2017, director of the supply management department of the Company from June 2009 to February 2017, the vice president of the procurement department of the Company from March 2009 to June 2009, and the president of Fuyao Hainan Float Glass Co., Ltd. from May 2008 to November 2008. Mr. Ye Shu worked in the supporting department, the preparatory team and other departments, and successively served as deputy manager, vice president and other positions of the Company and its subsidiaries from July 2003 to May 2008. From November 2008 to March 2009, Mr. Ye Shu left the Company and served as the president of Fujian Yaohua Industrial Village Development Co., Ltd. Mr. Ye Shu joined the Company in July 2003. Mr. Ye Shu graduated with a bachelor's degree in international trade from Xiamen University in July 1995, and a master's degree in economics from Xiamen University in July 1999. Mr. Ye Shu is the de facto controller of the Company, the son-in-law of Mr. Cho Tak Wong, the chairman of the Board of Directors, and the brother-in-law of Mr. Tso Fai, the vice chairman of the Board of Directors of the Company.</p>
Chen Xiangming	<p>Mr. Chen Xiangming has served as an executive director of the Company since February 2003, the chief financial officer of the Company since August 2015, secretary to the Board of Directors from October 2012 to March 2016 and joint company secretary since October 2014. Mr. Chen Xiangming currently also serves as a director of a majority of the subsidiaries of the Company. Mr. Chen Xiangming served as the manager of the accounting department of the Company from February 2002 to December 2002. Mr. Chen Xiangming was the chief financial officer of the Company from August 1999 to January 2002 and from January 2003 to November 2014. Prior to that, Mr. Chen Xiangming was the manager of the finance department of the Company from October 1994 to June 1998. Mr. Chen Xiangming joined the Company in February 1994. Mr. Chen Xiangming graduated from Nanjing Forestry University in June 1991 with a college diploma in finance and accounting, and received a certificate of the comprehensive national uniform examination for staff of equivalent academic attainments to apply for a master's degree in business administration from Fujian Province Degree Committee in June 1999. Mr. Chen Xiangming obtained the qualification as an accountant as approved by the Ministry of Personnel of the PRC in December 1996 and the qualification as a senior economist as approved by the Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012.</p>
Wu Shinong	<p>Mr. Wu Shinong has served as a non-executive director of the Company since December 2005. He joined the Company as an independent non-executive director from April 2000 to December 2005. Mr. Wu Shinong is currently a council member of Heren Charitable Foundation. He is also an independent non-executive director of Xiamen ITG Group Co., Ltd. (a company listed on the SSE, stock code: 600755), Industrial Securities Co., Ltd. (興業證券股份有限公司) (a company listed on the SSE, stock code: 601377) and Dima Industry Co., Ltd. (迪馬股份有限公司) (a company listed on the SSE, stock code: 600565). Mr. Wu Shinong served as the vice principal of Xiamen University from December 2001 to November 2012. He served in School of Management of Xiamen University from September 1999 to April 2003 with his last role as a dean. Mr. Wu Shinong served as the dean of School of Business Administration of Xiamen University from May 1996 to September 1999, a Fulbright visiting professor in Stanford University from September 1994 to July 1995 and a director of the MBA Center of Xiamen University from May 1991 to April 1996. Mr. Wu Shinong obtained a master's degree in business administration from Dalhousie University in Canada in May 1986 and a doctorate in economics from Xiamen University in December 1992.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Zhu Dezhen	<p>Ms. Zhu Dezhen has served as a non-executive director of the Company since November 2011. She currently also serves as a director of Heren Charitable Foundation, and has been the chairman of the board of directors and the president of Xiamen Deyi Equity Investment Management Co., Ltd. since July 2016. Ms. Zhu Dezhen has served as an independent non-executive director of Bright Dairy & Food Co., Ltd. (a company listed on the SSE, stock code: 600597) since April 2015, and China Yongda Automobiles Service Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 3669) since May 2015. Ms. Zhu Dezhen served as the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd. from December 2010 to June 2016, the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, from July 2008 to December 2010 and president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), a company primarily engaged in investment banking, securities investment consultation and stock brokerage services, from June 2003 to May 2008. Ms. Zhu Dezhen obtained a bachelor's degree in literature from Xiamen University in January 1982, a bachelor's degree in economics from College of Saint Elizabeth in May 1990, a master's degree in business administration from Pace University in the United States in June 1992 and a doctorate degree in economics from Xiamen University in September 2013.</p>
Cheung Kit Man Alison	<p>Ms. Cheung Kit Man Alison has served as an independent non-executive director of the Company since January 2018. She currently serves as a member of the Appraisal Committee of Hong Kong Securities and Investment Institute. Ms. Cheung Kit Man Alison served as the managing director of HSBC Private Bank from March 2010 to January 2017 and senior vice president and managing director of DBS Hong Kong from February 2001 to March 2010. Ms. Cheung Kit Man Alison graduated from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic College) with a diploma of secretary science in July 1979 and from University of Wolverhampton in the UK with an honorary degree in laws in September 2000. Ms. Cheung Kit Man Alison was accredited as a private finance manager by the Private Finance Management Association and admitted as a Fellow to Hong Kong Securities and Investment Institute upon approval thereof in November 2014.</p>
Liu Jing	<p>Mr. Liu Jing has served as an independent non-executive director of the Company since October 2019. Mr. Liu Jing is currently the vice president and secretary general of China Association of Social Workers, the head of China Philanthropy Times and the dean of the Faculty of Social Works of the Open University of China. Mr. Liu Jing also serves as an independent non-executive director of CITIC Guoan Information Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange (the "SZE"), stock code: 000839). Mr. Liu Jing served as the vice president of China Association of Social Workers from March 2007 to March 2015. Mr. Liu Jing graduated from Beijing Open University majoring in Chinese in July 1985, from the Graduate School of Chinese Academy of Social Sciences majoring in management with master's degree in management in July 2000, and from the National School of Development of Peking University majoring in international business management with an executive master of business management degree in July 2002.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Qu Wenzhou	<p>Mr. Qu Wenzhou has served as an independent non-executive director of the Company since October 2019. Mr. Qu Wenzhou is currently the dean of the Jinyuan Institute for Financial Studies of Xiamen University, a professor of the School of Management of Xiamen University, the director of the Chinese Capital Market Research Center of Xiamen University and the director of the MBA Center of the School of Management of Xiamen University. Mr. Qu Wenzhou also serves as an independent non-executive director of Guangdong Baolihua New Energy Stock Co., Ltd. (a company listed on the SZE, stock code: 000690), China Merchants Shekou Industrial Zone Holdings Co., Ltd. (a company listed on the SZE, stock code: 001979) and Ronshine China Holdings Limited (融信中國控股有限公司) (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 03301) respectively. Mr. Qu Wenzhou served as the deputy head of the Institute for Financial & Accounting Studies of Xiamen University from May 2010 to November 2016, an associate professor of the MBA Center of the School of Management of Xiamen University from July 2005 to December 2007 and a researcher of the SZE from August 2003 to June 2005. Mr. Qu Wenzhou obtained a bachelor of science degree from Xiamen University majoring in applied mathematics in July 1995, a master's degree in finance from Xiamen University majoring in finance in July 1999, a master of business management degree from Xiamen University majoring in business management in July 2001 and a PhD degree in economics from Xiamen University majoring in finance in July 2003. Mr. Qu Wenzhou obtained the qualification of Chinese certified public accountant (non-practising member) as approved by the Chinese Institute of Certified Public Accountants in June 2002 and the qualification of chartered financial analyst as approved by the Chartered Financial Analyst Institute in November 2004.</p>
Bai Zhaohua	<p>Mr. Bai Zhaohua has served as the chairman of the Board of Supervisors of the Company since August 2015 and served as an executive director of the Company from December 2006 to July 2015 and vice president of the Company from August 1999 to July 2015. Mr. Bai Zhaohua joined the Company in November 1995, and was previously a director of the Company from August 1999 to July 2001. Mr. Bai Zhaohua served as the president of Fujian Yaohua Automotive Parts Co., Ltd. from June 1998 to August 1999, vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from December 1996 to June 1998 and factory director of the laminated glass factory of the same company from November 1995 to December 1996.</p>
Chen Mingsen	<p>Mr. Chen Mingsen has served as a supervisor of the Company since March 2015. Mr. Chen Mingsen has been the dean and professor of the Institute of Industry and Corporate Development of the Fujian Provincial Committee Party School since May 2005, a special expert of the Monetary Policy Committee of the People's Bank of China since February 2017, a consultant of the Fujian Provincial People's Government since March 2000, the president of the Fujian Province Institute of Economic Researches on Securities since June 1998, an adjunct professor of the School of Economics and Management of Fuzhou University since May 1995 as well as of the School of Economics and Finance of HuaQiao University since November 2005. Mr. Chen Mingsen has served as an independent non-executive director of Fujian Nanping Sun Cable Co., Ltd. (a company listed on the SZE, stock code: 002300) since May 2016. Mr. Chen Mingsen served as the director and associate professor of the Economic Research Office of Fujian Normal University, the head and researcher of the Institute of Economics of Fujian Academy of Social Sciences, the head and professor of the Institute of Economic Management of Xiamen National Accounting Institute, and the part-time professor and doctoral supervisor of the School of Economics of Xiamen University. Mr. Chen Mingsen obtained a master's degree in economics from Fujian Normal University in December 1981.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Ma Weihua	<p>Mr. Ma Weihua has served as a supervisor of the Company since October 2019. Mr. Ma Weihua is currently the president of One Foundation, the chairman of the board of directors of China Global Philanthropy Institute and the chairman of the board of supervisors of Taikang Insurance Group Inc. Mr. Ma Weihua currently also serves as an independent non-executive director of each of Legend Holdings Corporation (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 3396), China World Trade Center Co., Ltd. (a company listed on the SSE, stock code: 600007), and Hwabao Investment Co., Ltd., and the chairman of Bison Finance Group Ltd. (a company listed on the SEHK, stock code: 0888). Mr. Ma Weihua was the chairman of the board of directors of Wing Lung Bank Ltd. (now renamed as "CMB Wing Lung Bank Ltd.") from October 2008 to May 2015 and served as an executive director, president and chief executive officer of China Merchants Bank Co., Ltd. from January 1999 to May 2013. Mr. Ma Weihua obtained a bachelor's degree in economics from Jilin University majoring in national economic management in August 1982, and a doctorate in economics from Southwest University of Finance and Economics majoring in economics in June 1999.</p>
He Shimeng	<p>Mr. He Shimeng has served as a vice president of the Company since August 1999. Mr. He Shimeng served as the president of the production department of the Company from March 1995 to November 1999, the vice president of the sales department of the Company from August 1994 to February 1995 and the manager of the production department of the Company from July 1988 to August 1994. Mr. He Shimeng joined the Company in July 1988. Mr. He Shimeng graduated from the Naval University of Engineering in the PRC in June 2001 with a college diploma, majoring in management engineering. Mr. He Shimeng is the brother-in-law of Mr. Cho Tak Wong, the de facto controller and the chairman of the Board of Directors of the Company, and the uncle of Mr. Tso Fai, the vice chairman of the Board of Directors of the Company.</p>
Chen Juli	<p>Mr. Chen Juli has served as a vice president of the Company since February 2002. Mr. Chen Juli has also served as the president of Fuyao (Hong Kong) Co., Ltd. since September 1997 and president of Fuyao Group (Hong Kong) Co., Ltd. since March 2010. Prior to his current position, Mr. Chen Juli served various positions in the Company or its subsidiaries, including as vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 1995 to August 1997, the manager of the sales department of the Company from July 1994 to July 1995 and the manager of the export department of the Company from May 1992 to July 1994. Mr. Chen Juli joined the Company in July 1989. Mr. Chen Juli also served as a director of the Company from December 1994 to July 2001. Mr. Chen Juli graduated from Beijing University of Aeronautics and Astronautics in July 1989, majoring in management information system and earning a bachelor's degree in engineering.</p>
Huang Xianqian	<p>Mr. Huang Xianqian has served as a vice president of the Company since August 2015. Mr. Huang Xianqian held various positions in the Company, including the director of the operation department of the Company and an assistant to the president from February 2011 to April 2016, and the general manager of Guangzhou Fuyao Glass Co., Ltd. from June 2008 to February 2011, vice president of the commerce department of the Company from May 2003 to June 2008. Since Mr. Huang Xianqian joined the Company in September 1990, he has worked for positions in connection with quality, engineering and factory. From January 1993 to May 2003, he successively served as the manager of the product development department, director of factory, manager of the sales department of the Company and its subsidiaries. Mr. Huang Xianqian graduated from Fuzhou University with a bachelor's degree majoring in mineral exploration in July 1990.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Lin Yong	<p>Mr. Lin Yong has served as a vice president of the Company since February 2017. Mr. Lin Yong held various positions in the Company, including the chief operating officer of the Company from May 2016 to February 2017, the general manager of Fuyao Group (Shanghai) Automobile Glass Co., Ltd. from March 2010 to April 2016, the vice president (person-in-charge) of Fujian Wanda Automobile Glass Industry Co., Ltd. from September 2007 to March 2010, the vice president and factory manager of No. 5 Factory of Fujian Wanda Automobile Glass Industry Co., Ltd. from April 2007 to August 2007, the vice president of Fuyao Group (Shanghai) Automobile Glass Co., Ltd. from June 2005 to March 2007. Mr. Lin Yong worked in different positions in the craft department, workshop and other departments, and successively served as a workshop director, the chief of the process department, the director of the laminated glass factory and other positions in the Company and its subsidiaries from February 1993 to May 2005. Mr. Lin Yong joined the Company in February 1993. Mr. Lin Yong graduated with a bachelor's degree in silicate engineering from Fuzhou University in July 1991.</p>
Wu Lide	<p>Mr. Wu Lide has served as the vice president of the Company since August 2017. Mr. Wu held various positions in the Company or its subsidiaries, including the president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 2015 to August 2017, vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from April 2015 to July 2015, the business manager of the sales department of Fuyao Glass Group (Chongqing) Co., Ltd. (福耀玻璃集團(重慶)有限公司) from March 2002 to April 2015. Since Mr. Wu Lide joined the Company in March 1997, he worked in different positions such as manufacturing, logistics and factory, and successively served as the manager of the logistics department and the director of a factory and other positions in the Company and its subsidiaries. Mr. Wu Lide obtained a Seminar Core Course Diploma in Business Administration (《工商管理核心課程研修班結業證書》) issued by the School of Management of Xiamen University in May 2012.</p>
Li Xiaoxi	<p>Ms. Li Xiaoxi has served as the secretary to the Board of Directors of the Company since March 2016. Ms. Li Xiaoxi served as the brand manager of the branding department, vice president of the VIP department and vice president of the marketing department at Beijing Capital Airlines Co., Ltd. (Deer Jet) from February 2012 to August 2015, and the director of the integrated marketing department of Brighten Culture Media (Beijing) Co., Ltd. (formerly known as Beijing HNA Xinhua Cultural Communication Co., Ltd.) from May 2011 to February 2012. Ms. Li Xiaoxi joined the Company in August 2015. Ms. Li Xiaoxi graduated with a bachelor degree in marketing from the University of Ottawa in May 2006 and a M.A. degree in journalism from Sichuan University in June 2010. Ms. Li Xiaoxi has a qualification certificate for board secretaries of listed companies issued by the SSE.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Liu Xiaozhi (retired)	<p>Ms. Liu Xiaozhi had served as an independent non-executive director of the Company from October 2013 to October 2019 and was the president, director and vice chairman of the Company from November 2005 to September 2006. Ms. Liu Xiaozhi worked for NeoTek China, a manufacturer of brake components and other automobile parts, as chairman from January 2008 to February 2012 and president and chief executive officer from September 2006 to December 2007. Ms. Liu Xiaozhi is the founder of and has served as president of ASL Automobile Science & Technology (Shanghai) Co., Ltd., a company that focuses on the development of advanced automobile technology in China, since June 2009. Ms. Liu Xiaozhi has also been serving as an independent non-executive director of Autoliv Inc. (an automobile safety equipment manufacturer listed on the New York Stock Exchange (stock code: ALV) and OMX Nordic Exchange (stock code: ALIV sdb), since November 2011, and has been serving as an independent non-executive director of the global board of directors of AB InBev (Euronext stock code: ABI; NYSE stock code: BUD; MEXBOL index: ANB; JSE stock code: ANH), the world's leading brewery manufacturer. Prior to joining the Company, Ms. Liu Xiaozhi worked for General Motors Group, a top global automobile manufacturer, including the positions of chief officer of the electronic, control and software integration department of General Motors U.S.A. from March 2004 to September 2005, the chairman and president of General Motors Taiwan from March 2001 to March 2004. Ms. Liu Xiaozhi graduated with a bachelor's degree from the Faculty of Information and Control Engineering of Xi'an Jiaotong University in January 1982 majoring in radio technology. She graduated from Friedrich-Alexander-Universität Erlangen-Nürnberg in Germany with a master's degree in engineering in August 1988, followed by a doctorate degree in engineering in July 1992.</p>
Wu Yuhui (retired)	<p>Mr. Wu Yuhui had served as an independent non-executive director of the Company from October 2013 to October 2019. Mr. Wu Yuhui currently serves as a professor, a PHD supervisor and the director of the Finance Department of the School of Management of Xiamen University. Besides, he founded the Shanghai Borui Financial Management and Consultation Center. Currently, Mr. Wu Yuhui also serves as an independent non-executive director of Shenzhen Sunlord Electronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002138), Shenzhen Huada Gene Ltd. (深圳華大基因股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300676), Qingdao Choho Industrial Company Limited and Century Securities Company Limited. Prior to joining the Company, Mr. Wu Yuhui served as the deputy director (person-in-charge) of the Finance Department of the School of Management of Xiamen University from January 2018 to October 2018, an associate professor of the Finance Department of the School of Management of Xiamen University from September 2011 to July 2017, an assistant professor of the Finance Department of the School of Management of Xiamen University from September 2010 to September 2011 and a senior staff member of the accounting and finance department of the People's Bank of China Shenzhen Center Sub-branch from July 2004 to August 2007. Mr. Wu Yuhui graduated from Xiamen University majoring in accounting with a bachelor's degree in management in July 2001 and received a master's degree and a doctorate degree in management from Xiamen University in July 2004 and in September 2010, respectively. Mr. Wu Yuhui obtained the qualification of non-practicing certified public accountant in China as approved by the Shenzhen Institute of Certified Public Accountants in December 2009.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Sun Yiqun (resigned)	Ms. Sun Yiqun had served as the executive director of the Company from April 2017 to August 2019, vice president of the Company from August 2016 to August 2019, and chief relations officer of Fuyao Glass America Inc. from November 2016 to December 2019. Ms. Sun Yiqun served as an assistant to the chairman of the Company from July 2014 to August 2016. Ms. Sun Yiqun served as the president of Shanghai International Automobile City Parts Assembly Industrial Zone Co., Ltd. (上海國際汽車城零部件配套工業園區有限公司) from August 2003 to June 2014, the manager of the administrative department of Shanghai headquarters of Jianqiao Securities Co., Ltd. (健橋證券股份有限公司) from April 2002 to August 2003, the director of Shanghai office of Henry Global Consulting Co., Ltd. (加拿大亨瑞國際諮詢有限公司) from March 2000 to April 2002, the manager of the merchandizing department of Shanghai International Automobile City Parts Assembly Industrial Zone Co., Ltd. from September 1998 to March 2000. Ms. Sun Yiqun graduated from National University of Defense Technology of the People's Liberation Army (中國人民解放軍國防科學技術大學) in July 1984 with a bachelor's degree, majoring in non-metallic matrix composite. Ms. Sun Yiqun was awarded the qualification of engineer as approved by the First Evaluation Committee for the Engineering (Intermediate level) of Jiading District, Shanghai in October 1993.

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

(I) Positions in shareholder entities

Name	Name of shareholder entities	Position held in shareholder entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Sanyi Development Limited	Director	June 10, 2019	June 10, 2020
Tso Fai	Homekiu Overseas Holdings Limited	Director	July 21, 2019	July 21, 2020
Tso Fai	Fujian Yaohua Industrial Village Development Co., Ltd.	Director	September 1, 2016	September 1, 2020
Wu Shinong	Heren Charitable Foundation	Council member	December 9, 2010	December 9, 2020
Zhu Dezhen	Heren Charitable Foundation	Council member	December 9, 2010	December 9, 2020

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

Section IX Directors, Supervisors, Senior Management and Employees

(II) Positions in other entities

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Trade Commerce Limited	Director	October 28, 2018	October 28, 2019
Cho Tak Wong	Global Cosmos German Limited	Director	December 10, 2015	
Tso Fai	Chopline Limited	Director	August 25, 2019	August 25, 2020
Tso Fai	Trade Commerce Limited	Director	October 28, 2019	October 28, 2020
Tso Fai	Triplex Holdings Limited	Director	May 13, 2015	
Tso Fai	Fujian Triplex Investment Co., Ltd.	Executive Director and President	May 15, 2018	
Tso Fai	Fujian Yidao Daka Commercial Management Co., Ltd.	President	July 17, 2019	
Wu Shinong	Xiamen ITG Group Co., Ltd.	Independent non-executive Director	May 17, 2018	May 16, 2021
Wu Shinong	Industrial Securities Co., Ltd.	Independent non-executive Director	November 29, 2017	November 28, 2020
Wu Shinong	Dima Industry Co., Ltd.	Independent non-executive Director	May 16, 2019	May 15, 2022
Zhu Dezhen	Xiamen Deyi Equity Investment Management Limited	Chairman of the Board of Directors and President	July 1, 2016	
Zhu Dezhen	Bright Dairy & Food Co., Ltd.	Independent non-executive Director	April 17, 2015	
Zhu Dezhen	China Yongda Automobiles Service Holdings Limited	Independent non-executive Director	May 8, 2015	
Liu Jing	Citic Guoan Information Industry Co., Ltd.	Independent non-executive Director	June 28, 2016	
Liu Jing	China Philanthropy Times	President	June 1, 2001	
Qu Wenzhou	Guangdong Baolihua New Energy Stock Co., Ltd.	Independent non-executive Director	March 26, 2015	March 25, 2021
Qu Wenzhou	Ronshine China Holdings Limited	Independent non-executive Director	January 13, 2016	
Qu Wenzhou	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Independent non-executive Director	September 12, 2018	September 11, 2021
Chen Mingsen	Fujian Nanping Sun Cable Co., Ltd.	Independent non-executive Director	May 6, 2016	May 5, 2022
Ma Weihua	Legend Holding Corporation	Independent non-executive Director	March 15, 2015	April 18, 2021
Ma Weihua	China World Trade Center Co., Ltd.	Independent non-executive Director	August 22, 2014	April 20, 2020
Ma Weihua	Hwabao Investment Co., Ltd.	Independent non-executive Director	August, 2013	
Ma Weihua	Bison Finance Group Limited	Chairman	May 29, 2018	
Ma Weihua	Taikang Insurance Group Inc.	Chairman of the Board of Supervisors	September 1, 2015	
Liu Xiaozhi	ASL Automobile Science & Technology (Shanghai) Co., Ltd.	Founder and President	June 5, 2009	
Liu Xiaozhi	Autoliv Inc.	Independent non-executive Director	November 3, 2011	

Section IX Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Liu Xiaozhi	AB InBev	Independent non-executive Director of global Board of Directors	April 25, 2019	April 24, 2023
Wu Yuhui	Shanghai Borui Financial Management Consultation Center	Investor	August 10, 2018	
Wu Yuhui	Shenzhen Sunlord Electronics Co., Ltd.	Independent non-executive Director	October 13, 2017	October 12, 2020
Wu Yuhui	Shenzhen Huada Gene Ltd.	Independent non-executive Director	June 19, 2018	June 18, 2021
Wu Yuhui	Qingdao Choho Industrial Company Limited	Independent non-executive Director	November 13, 2019	November 12, 2022
Wu Yuhui	Century Securities Company Limited	Independent non-executive Director	June 4, 2019	June 3, 2022

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process of remunerations of directors, supervisors and senior management	The implementation is subject to the approval of the Board of Directors and the general meeting of the Company.
Basis for determination of remunerations of directors, supervisors and senior management	Basic salaries are combined with year-end performance bonus.
Actual amount of remunerations paid to directors, supervisors and senior management	The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB29.6794 million (before tax). Please refer to "Changes in shareholding of current and resigned directors, supervisors and senior management and their remunerations during the Reporting Period" in this section for details.
Total remunerations actually received by all directors, supervisors and senior management at the end of the Reporting Period	The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB29.6794 million (before tax). Please refer to "Changes in shareholding of current and resigned directors, supervisors and senior management and their remunerations during the Reporting Period" in this section for details.

Section IX Directors, Supervisors, Senior Management and Employees

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

Name	Position	Change	Reason for the change
Liu Xiaozhi	Independent non-executive Director	Retired	Had served for six consecutive years
Wu Yuhui	Independent non-executive Director	Retired	Had served for six consecutive years
Sun Yiqun	Executive Director and Vice President	Resigned	Personal family issue
Liu Jing	Independent non-executive Director	Election	Considered and approved at the 2019 first extraordinary general meeting
Qu Wenzhou	Independent non-executive Director	Election	Considered and approved at the 2019 first extraordinary general meeting
Ye Shu	Executive Director and President	Election	Considered and approved at the 2019 first extraordinary general meeting
Ma Weihua	Supervisor	Election	Considered and approved at the 2019 first extraordinary general meeting

Notes:

- Given the expiry of Ms. Liu Xiaozhi's and Mr. Wu Yuhui's six-year term as independent non-executive directors of the Company, Ms. Liu Xiaozhi and Mr. Wu Yuhui has tendered their respective resignation report to the Board of Directors of the Company which resigned their respective roles as independent directors of the Company and member and/or chairman of special committees under the Board of Directors. The 2019 first extraordinary general meeting of the Company was convened on October 30, 2019, which considered and approved the election of Mr. Liu Jing and Mr. Qu Wenzhou as independent non-executive directors of the ninth session of the Board of Directors of the Company. Please refer to the announcements dated August 29, 2019 and October 31, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.
- On August 27, 2019, Ms. Sun Yiqun tendered her resignation as the positions of the director and vice president to the Board of Directors due to personal family reason with effective from August 27, 2019. The 2019 first extraordinary general meeting of the Company was convened on October 30, 2019, which considered and approved the election of Mr. Ye Shu as an executive director of the ninth session of the Board of Directors of the Company. Please refer to the announcements dated August 29, 2019 and October 31, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.
- As Mr. Ni Shiyong, a former supervisor of the Company, passed away in December 2018, and the 2019 first extraordinary general meeting of the Company was convened on October 30, 2019, which considered and approved the election of Mr. Ma Weihua as a supervisor of the ninth session of the Board of Supervisors of the Company. Please refer to the announcement dated October 31, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.

Section IX Directors, Supervisors, Senior Management and Employees

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

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

VI. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

1. Mr. Wu Shinong, a non-executive director of the Company, has served as an independent non-executive director of Dima Industry Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 600565) since May 2019.
2. Ms. Zhu Dezhen, a non-executive director of the Company, resigned as an independent non-executive director of Hunan TV & Broadcast Intermediary Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000917) in December 2019.
3. Mr. Tso Fai, a vice chairman of the Board of Directors of the Company, has served as a president of Fujian Yidao Daka Commercial Management Co., Ltd. (福建易道大咖商業管理有限公司) since July 2019.
4. Mr. Chen Mingsen, a supervisor of the Company, resigned an independent non-executive director of Guomai Technologies, Inc. (a company listed on the Shenzhen Stock Exchange, stock code: 002093) since March 2019.
5. Mr. Ma Weihua, a supervisor of the Company, resigned as an independent non-executive director of China Eastern Airlines Corporation Limited (a company listed on Shanghai Stock Exchange, stock code: 600115 and the Hong Kong Stock Exchange, stock code: 0670) in December 2019, and resigned as an independent non-executive director of Postal Saving Bank of China (a company listed on the Hong Kong Stock Exchange, stock code: 1658) in January 2020.

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

Section IX Directors, Supervisors, Senior Management and Employees

VII. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the Company	1,461
Number of in-service employees of the major subsidiaries	25,266
Total number of in-service employees	26,727
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	0

Composition of professions

Type of profession	Number of staff
Production staff	19,469
Sales staff	876
Technical staff	3,508
Finance staff	282
Administrative staff	924
Other staff	1,668
Total	<u>26,727</u>

Education level

Type of education level	Number of persons
University or above	4,096
Junior college	4,766
Specialized secondary school and high school	12,695
Below high school	5,170
Total	<u>26,727</u>

Section IX Directors, Supervisors, Senior Management and Employees

(II) Remuneration policy

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

(III) Training plan

According to the Group’s strategic plan and annual operating policy and plan, the Company made training plans. The Group provides orientation training and on-the-job education for the growth of the employees, of which the orientation training covers subjects such as corporate culture and policies, work ethic and quality, major products and business, production process, quality control and occupational safety. The on-the-job education covers environment, health and safety management systems and mandatory training required by the applicable laws and regulations as well as special training for personnel at various levels and all professions. Meanwhile, in order to meet the needs of its strategic plan, the Group held various training projects for junior, middle and senior management, key technical staff and business backbones of all functions and high potential talents, including courses for cadres, courses for machinery engineering, lean leading expert training projects and, meanwhile, developed micro class, micro class competition and other forms to further optimize training system. Through providing training and developing talents, the Company secured talents for enterprises transformation and upgrading and strategy implementation, promoted the high quality development of the enterprises and improved operation efficiency of the enterprises.

Section X Company Governance and Corporate Governance Report

I. COMPANY GOVERNANCE

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

1. **Shareholders and General Meeting:** The Company convened and held general meetings in accordance with the relevant requirements of the Articles of Association, the Rules of Procedure for General Meetings and the Implementation Rules for the Online Voting in General Meetings. During the Reporting Period, online voting was opened to shareholders to protect their legal rights and interests during the consideration of the relevant resolutions such as the Resolution on the 2018 Profit Distribution Plan, the 2018 Annual Report and Summary of the Annual Report of the Company, the Resolution on the Amendments to the Articles of Association and the Resolution on the Election of Two Independent Directors at the 2018 annual general meeting and the 2019 first extraordinary general meeting of the Company. The convention and the voting procedures in each of the general meetings were witnessed by lawyers in person and documents with legal opinions were delivered to ensure the resolutions were lawful and valid. During the Reporting Period, there was no occurrence of any insider trading among shareholders and people in possession of insider information, or any incident harming the interest of the shareholders and the Company.
2. **Relations between the Controlling Shareholders and the Company:** The Company stringently carried out the strategy of "Independence in Five Aspects" with respect to its personnel, assets, finance, organization and business from those of the controlling shareholder, with separate accounting systems and respective responsibilities and risks. The controlling shareholders exercised rights and assumed responsibilities as contributors of the Company, and standardize their acts in strict compliance with relevant provisions under the Company Law and the Articles of Association of the Company. There was no business competition between the controlling shareholders and the Company, no direct or indirect interference in the decision-making and operation activities of the Company by the controlling shareholders, no non-operational use of capital, and no request of being a guarantee for or by the controlling shareholders. The Board of Directors, the Board of Supervisors and internal management organizations all operated independently. The Company has established a long-term mechanism to avoid the controlling shareholders from non-operational use of assets and damage of interests of the Company, where the relevant terms of "freeze upon non-operational use" were clearly specified in the Articles of Association.
3. **Directors and the Board of Directors:** All directors made independent, objective and fair decisions on the resolutions brought to the Board of Directors for consideration with their professional knowledge and ability. They also exercised rights and bore responsibilities in accordance with the laws, and were in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors and the requirements under relevant laws and regulations, in an honest and diligent manner. When considering resolutions in relation to connected transactions, the connected directors abstained from voting in order to ensure that the connected transactions were fair and reasonable.

Section X Company Governance and Corporate Governance Report

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

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

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

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

Section X Company Governance and Corporate Governance Report

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

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

III. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of publication of resolution(s)	Date of publication of resolution(s)
2018 annual general meeting	14 May 2019	The website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	15 May 2019
2019 first extraordinary general meeting	30 October 2019	The website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	31 October 2019

Information on the general meetings

1. The 2018 annual general meeting was convened on 14 May 2019 by way of physical meeting in combination with online voting, which was chaired by Mr. Cho Tak Wong, the chairman of the Board. A total of 92 shareholders, either in person or by proxy, attending the onsite meeting of the meeting and voting on the internet. The resolutions including the Work Report of the Board of Directors for 2018, the Work Report of the Board of Supervisors for 2018, the Proposal on Amending the Articles of Association, and the Proposal on Issuance of Medium-term Notes were considered and approved at the meeting. For the announcement related to the resolutions, please refer to relevant announcement dated 15 May 2019 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).
2. The 2019 first extraordinary general meeting was convened on 30 October 2019 by way of physical meeting in combination with online voting. As Mr. Cho Tak Wong, the chairman of the Board was on business trip and unable to attend the meeting, the meeting was chaired by Mr. Tso Fai, the vice chairman of the Board. A total of 47 shareholders, either in person or by proxy, attending the onsite meeting of the meeting and voting on the internet. The resolutions including the Proposal on Election of Mr. Ye Shu as Director of the Ninth Board of Directors, the Proposal on Election of Mr. Ma Weihua as Supervisor of the Ninth Supervisory Board and the Proposal on Election of Two Independent Directors were considered and approved at the meeting. For the announcement related to the resolutions, please refer to relevant announcement dated 31 October 2019 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Section X Company Governance and Corporate Governance Report

IV. THE RIGHTS OF SHAREHOLDERS

(I) Shareholders to Convene an Extraordinary General Meeting

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

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

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

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

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

Section X Company Governance and Corporate Governance Report

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

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

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

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

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

V. THE BOARD OF DIRECTORS AND THE MANAGEMENT

(I) The Board of Directors

The Board of Directors is the permanent organization for the operation and decision-making of the Company, and shall report to the general meeting. The Board of Directors shall consist of nine directors, among whom three are independent non-executive directors. The Board of Directors shall have one chairman and one vice chairman. Mr. Cho Tak Wong is the chairman of the Board of Directors, and Mr. Tso Fai is the vice chairman of the Board of Directors. The Board of Directors and the management have respective responsibilities and liabilities, and the division of power and duty is in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, the Code on Work for the President, and relevant laws and regulations.

Section X Company Governance and Corporate Governance Report

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

Each of the Directors also acknowledged their responsibilities for preparation of financial statements of the Company for the year ended December 31, 2019.

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

Section X Company Governance and Corporate Governance Report

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

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

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

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

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

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

(II) The Management

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

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

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

Section X Company Governance and Corporate Governance Report

VI. THE PERFORMANCE OF DUTIES OF THE DIRECTORS

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

Name of Directors	Whether he/she is an independent director	Number of meetings of the Board of Directors required to attend	Attendance at meetings of the Board of Directors					Attendance at the General Meetings		
			Number of times of attendance in person	Number of times of attendance through communications	Attendance rate (%)	Number of times of attendance by proxy	Number of absences	Absent for two consecutive meetings	Number of General Meetings attended	Attendance rate (%)
Cho Tak Wong	No	4	3	1	75	1	0	No	1	50
Tso Fai	No	4	3	1	75	1	0	No	1	50
Chen Xiangming	No	4	4	1	100	0	0	No	2	100
Ye Shu	No	1	1	0	100	0	0	No	1	50
Wu Shinong	No	4	3	1	75	1	0	No	0	0
Zhu Dezhen	No	4	4	1	100	0	0	No	1	50
Cheung Kit Man										
Alison	Yes	4	4	1	100	0	0	No	2	100
Liu Jing	Yes	1	1	0	100	0	0	No	1	100
Qu Wenzhou	Yes	1	1	0	100	0	0	No	1	100
Liu Xiaozhi (retired)	Yes	3	2	1	67	1	0	No	2	100
Wu Yuhui (retired)	Yes	3	3	1	100	0	0	No	1	50
Sun Yiqun (resigned)	No	2	1	1	50	1	0	No	0	0

Note: Ms. Sun Yiqun resigned as an executive director and the vice president of the Company on August 27, 2019; Ms. Liu Xiaozhi and Mr. Wu Yuhui have served for six years in the Company, retired their position as independent non-executive directors after the election of Mr. Liu Jing and Mr. Qu Wenzhou as independent non-executive directors of the ninth session of the Board of Directors at the 2019 first extraordinary general meeting of the Company held on October 30, 2019. Meanwhile, the election of Mr. Ye Shu as an executive director of the ninth session of the Board of Directors was also considered and approved at the general meeting.

Number of meetings of the Board of Directors convened during the year	4
Among them:	
Physical meetings convened	3
Meetings convened through communications	1
Meetings convened in combination of physical meetings and meetings through communications	0

Section X Company Governance and Corporate Governance Report

(II) Training of the Directors

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

As at December 31, 2019, all directors have attended trainings in accordance with the code provisions of the Corporate Governance Code with respect to continuous professional development. Their records of training for the year ended December 31, 2019 are as follows:

Director	Duration of training (Hours)	
	A	H
Executive directors		
Cho Tak Wong	17	14
Ye Shu	17	14
Chen Xiangming	17	31
Sun Yiqun (resigned)	11	2
Non-executive directors		
Tso Fai	17	14
Wu Shinong	17	14
Zhu Dezhen	17	14
Independent non-executive directors		
Cheung Kit Man Alison	17	14
Liu Jing	6	12
Qu Wenzhou	6	12
Wu Yuhui (retired)	15	11
Liu Xiaozhi (retired)	15	11

Notes:

1. A: Trainings on the rules issued by the SSE and directors' responsibilities; H: Trainings on the Hong Kong Listing Rules and directors' responsibilities.
2. Ms. Sun Yiqun had resigned as an executive director and the vice president of the Company on August 27, 2019; Ms. Liu Xiaozhi and Mr. Wu Yuhui had been holding office for six consecutive years, retired their position as independent non-executive directors after the election of Mr. Liu Jing and Mr. Qu Wenzhou as independent non-executive directors of the ninth session of the Board of Directors at the 2019 first extraordinary general meeting of the Company held on October 30, 2019. Meanwhile, the election of Mr. Ye Shu as an executive director of the ninth session of the Board of Directors was also considered and approved at the general meeting.

Section X Company Governance and Corporate Governance Report

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

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

- To develop and review the Company's policies and practices on corporate governance and make recommendations.
- To review and monitor the training and continuous professional development of directors and senior management. During the Reporting Period, the Board of Directors timely informed directors and senior management of the relevant regulatory regulations so as to enable them to continuously develop their professional skills and capabilities to discharge their duties.
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. The Board of Directors constantly paid attention to the compliance of the operation of the Company. The Company established the legal department and hired counsels to ensure the compliance by the Company with the requirements of legal and regulatory requirements.
- To review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and disclosure in the Corporate Governance Report. The Board of Directors required the Company to stringently follow the requirements relevant to the corporate governance of the listing rules of the stock exchanges where the shares of the Company are listed, and to timely disclose information relevant to corporate governance.

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

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

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

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

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

Section X Company Governance and Corporate Governance Report

VIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Rules of Procedure for the Board of Directors of the Company, the term of office of the directors shall be three years and may be reappointed upon re-election, but the consecutive terms of office of the independent non-executive directors shall not exceed six years. In view of the fact that Ms. Liu Xiaozhi and Mr. Wu Yuhui, independent non-executive directors of the Company, had been holding office for six consecutive years, they had submitted their reports of resignation from their positions as independent non-executive directors of the Company and related positions as members and/or chairmen of the special committees of the Board. The 2019 first extraordinary general meeting of the Company was convened on 30 October 2019, which considered and approved the election of Mr. Liu Jing and Mr. Qu Wenzhou as the independent non-executive directors of the ninth session of the Board of Directors of the Company, details of which please refer to the announcements of the Company dated August 29, 2019 and October 31, 2019 published on the Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

As at the date of the disclosure of this report, the Board of Directors consisted of nine members, among whom there were three independent non-executive directors including Mr. Qu Wenzhou, who possesses the qualifications of accounting and financial management. The composition of the Board of Directors of the Company was in compliance with the requirements of Rule 3.10(1) "The Board of Directors must consist of at least three independent non-executive directors", Rule 3.10A "independent non-executive directors must take up at least a proportion of one-third of the members of the Board of Directors", and Rule 3.10(2) "one of the independent non-executive directors must possess appropriate professional qualifications, or possess appropriate accounting and relevant financial management specialties" of the Hong Kong Listing Rules.

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

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

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

Section X Company Governance and Corporate Governance Report

(I) The Strategy and Development Committee

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

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

Session of meeting	Date	Topic	Attendance
The fifth meeting of the ninth session (physical meeting)	March 15, 2019	1. Consideration of the Resolution in relation to the Company's Development Strategy; 2. Consideration of the Resolution in relation to the Company's 2019 Development Plan; 3. Consideration of the Resolution in relation to the Acquisition of 100% Equity Interests in Jiangsu Fuyao Automotive Trim System Co., Ltd., Ltd. by a Wholly-owned Subsidiary and Connected Transaction.	Mr. Cho Tak Wong, Mr. Tso Fai and Ms. Cheung Kit Man Alison attended the meeting
The sixth meeting of the ninth session (physical meeting)	August 28, 2019	Consideration of the Resolution in relation to the Entering into of the Supplemental Agreement between the Company and Taiyuan Jinnuo Industry Co., Ltd.	Mr. Cho Tak Wong, Ms. Cheung Kit Man Alison attended the meeting; Mr. Tso Fai entrusted Ms. Cheung Kit Man Alison to attend the meeting on his behalf due to business trip.

(II) Audit Committee

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

Section X Company Governance and Corporate Governance Report

In view of the fact that Mr. Wu Yuhui, an independent non-executive director of the Company, had been holding office for six consecutive years, he had submitted his report of resignation from his position as an independent non-executive director of the Company and related positions as a member and/or chairman of the special committees of the Board of the Company. The 2019 first extraordinary general meeting of the Company was convened on 30 October 2019, which considered and approved the election of Mr. Qu Wenzhou as an independent non-executive director of the ninth session of the Board of Directors of the Company, and on the same day, the 12th meeting of the ninth session of the Board of Directors was held, which considered and approved the appointment of Mr Qu Wenzhou as the chairman of the Audit Committee of the Board. The terms of reference of the Audit Committee was announced on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

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

During the Reporting Period, in accordance with the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of People's Republic of China, the Accounting Law of People's Republic of China, the Internal Control Guidelines for Listed Companies on the Shanghai Stock Exchange, the Basic Norms for Enterprise Internal Controls and its supporting guidelines, and other internal control regulatory rules. Based on major work objectives for the year and areas susceptible to material business risks, in respect of the material risks assessed for the year, the Company has adopted detailed measures for controlling the material risks, tracked the effectiveness of the risk control in a timely manner, and determined the subject responsible for material risk control and its terms of references. The Company carefully reviewed the risk management and internal control system and internal audit functions of the Company, covering all significant control. They also studied the risk management and internal control system and discussed with the management of the Company in this regard so as to ensure the operation and development risks of the Company are under control. The Company continued to promote the delineation of responsibilities and coordination across the three lines of defense, namely "the business and functional departments which would conduct self-assessment on effectiveness internal control, the internal audit departments which would conduct independent evaluation, and the external accounting firm which would conduct the internal control audit", so as to ensure effective operation of the internal control system and achieve routine operation mechanism of risk management and internal control which can be described as "Everyone has Risk Management Consciousness, Everyone is Involved in Internal Control, Everyone is Responsible for Compliance".

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

Section X Company Governance and Corporate Governance Report

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

Session of meeting	Date	Topic	Attendance
The sixth meeting of the ninth session (physical meeting)	March 15, 2019	1. Consideration of the 2018 Final Financial Accounts; 2. Consideration of the 2018 Annual Report and Summary of Annual Report; 3. Consideration of the 2018 Annual Audit Work Summary Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers; 4. Consideration of the Resolution in relation to the reappointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Domestic Audit Institution and Audit Institution of the internal control of the Company for 2019; 5. Consideration of the Resolution in relation to the reappointment of PricewaterhouseCoopers as the External Audit Institution of the Company for 2019; 6. Consideration of the Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2018; 7. Consideration of the Duty Performance Report of the Audit Committee of the Eighth Session of the Board of Directors of Fuyao Glass Industry Group Co., Ltd. for 2018; 8. Consideration of the Resolution in relation to the Amendment of the Terms of Reference of the Audit Committee of the Board of Fuyao Glass Industry Group Co., Ltd.; 9. Consideration of the Resolution in relation to the Change of Accounting Policies; 10. Consideration of the Work Summary of the Audit Department for 2018	Mr. Wu Yuhui, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting
The seventh meeting of the ninth session (physical meeting)	April 26, 2019	Consideration of the Resolution in relation to the Full Text and Main Body of the 2019 First Quarterly Report	Mr. Wu Yuhui, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting
The eighth meeting of the ninth session (physical meeting)	August 28, 2019	1. Consideration of the Resolution in relation to the 2019 Interim Report and Summary of the Company; 2. Consideration of the Resolution in relation to the Change of Accounting Policies	Mr. Wu Yuhui, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting
The ninth meeting of the ninth session (physical meeting)	October 30, 2019	1. Consideration of the Resolution in relation to the Full Text and Main Body of the 2019 Third Quarterly Report; 2. Consideration of the Resolution in relation to the Election of the Chairman of the Audit Committee under the Ninth Session of the Board of Directors; 3. Consideration of the Resolution in relation to the Change of Accounting Policies	Mr. Qu Wenzhou, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting

Note: As Mr. Wu Yuhui, an independent non-executive director, had been holding office for six consecutive years, he retired from his position after Mr. Qu Wenzhou was elected as an independent non-executive director of the ninth session of the Board of Directors at the 2019 first extraordinary general meeting convened on October 30, 2019.

Section X Company Governance and Corporate Governance Report

(III) Nomination Committee

The Company has established a nomination committee in accordance with Code Provisions A.5.1 and A.5.2 under the Corporate Governance Code, as well as the requirements of the CSRC and the SSE. The Nomination Committee is mainly responsible for providing opinions or suggestions on the change and recommendation of candidates for directors and senior management to the Board of Directors and evaluating the independency of the independent non-executive directors. The Nomination Committee under the ninth session of the Board of Directors comprises three members with independent non-executive directors being the majority. The chairman of the Nomination Committee is Ms. Cheung Kit Man Alison, an independent non-executive director, and the other members are Mr. Liu Jing, an independent non-executive director, and Mr. Tso Fai, a non-executive director.

As Ms. Liu Xiaozhi, an independent non-executive director, had been holding office for six consecutive years, she has submitted her report of resignation from her position as an independent non-executive director of the Company and related positions as a member and/or chairman of the special committees of the Board of the Company. The 2019 first extraordinary general meeting of the Company was convened on October 30, 2019, which considered and approved the election of Mr. Liu Jing as an independent non-executive director of the ninth session of the Board of Directors of the Company. Meanwhile, Mr. Liu Jing had also been appointed as a member of the Nomination Committee of the Board of the Company. The terms of reference of the Nomination Committee was announced on the websites of the Company, the SSE and Hong Kong Stock Exchange.

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

Section X Company Governance and Corporate Governance Report

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

Item	Category	Category	Percentage in the members of the Board of Directors
Gender	Male	7	78%
	Female	2	22%
Age	Aged 40-50		
	Aged 51-60	4	44%
	Aged 61-70	1	11%
	Aged 71-80	3	33%
Post	Independent non-executive director	1	12%
	Non-executive director	3	33%
	Executive director	3	33%
		3	34%
Length of service as Board members	3 years or less	4	44%
	4-6 years	0	0
	7-9 years	1	11%
	10 years or more	4	44%
Disciplines in finance and accounting		7	78%
Directorships in other listed companies (number of companies)	2 or less	8	89%
	3 or more	1	11%

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

Section X Company Governance and Corporate Governance Report

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

Session of meeting	Date	Topic	Attendance
The second meeting of the ninth session (physical meeting)	March 15, 2019	1. Consideration of Resolution in relation to Formulating a Policy of Director Nomination.	Mr. Tso Fai, Ms. Cheung Kit Man Alison and Ms. Liu Xiaozhi attended the meeting
The third meeting of the ninth session (communications meeting)	August 28, 2019	1. Consideration of the Resolution in relation to the Nomination of the Candidates for Directors of the Board of the Company; 2. Consideration of the Resolution in relation to the Nomination of Two Independent Non-executive Directors of the Company	Mr. Tso Fai, Ms. Cheung Kit Man Alison and Ms. Liu Xiaozhi attended the meeting

Note: As Ms. Liu Xiaozhi, an independent non-executive director, had been holding the office for six consecutive years, she retired from her position after Mr. Liu Jing was elected by the Company as an independent non-executive director of the ninth session of the Board of Directors at the 2019 first extraordinary general meeting convened on October 30, 2019.

(IV) Remuneration and Assessment Committee

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

In view of the fact that Ms. Liu Xiaozhi and Mr. Wu Yuhui, independent non-executive directors of the Company, had been holding the office for six consecutive years, they had submitted their reports of resignation from their positions as independent non-executive directors of the Company and related positions as members and/or chairmen of the special committees of the Board of the Company. The 2019 first extraordinary general meeting of the Company were convened on October 30, 2019, which considered and approved the election of Mr. Liu Jing and Mr. Qu Wenzhou as independent non-executive directors of the ninth session of the Board of Directors of the Company. Meanwhile, Mr. Qu Wenzhou was appointed as a member of the Remuneration and Assessment Committee of the Board of the Company. On the same day, the twelfth meeting of the ninth session of the Board of Directors was held, which considered and approved the appointment of Mr. Liu Jing as the chairman of the Remuneration and Assessment Committee of the Board. The terms of reference of the Remuneration and Assessment Committee was announced on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

Section X Company Governance and Corporate Governance Report

During the Reporting Period, after the Remuneration and Assessment Committee carefully examined the actual completed production and operating results in 2018, the Committee reviewed the remuneration of the Company's directors and senior management disclosed in the 2018 annual report, and considered that all the directors, supervisors and senior management performed well with diligence and dedication. The remuneration for 2018 paid by the Company to its directors, supervisors and senior management was fair, reasonable and in compliance with relevant remuneration rules and assessment criteria of the Company, without any occurrence of violation of the Company's remuneration system. In 2018, the Company did not implement any equity incentive scheme.

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

Session of meeting	Date	Topic	Attendance
The third meeting of the ninth session (physical meeting)	March 15, 2019	Consideration of the Summary Report of Duty Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2018	Mr. Cho Tak Wong, Mr. Wu Yuhui and Ms. Liu Xiaozhi attended the meeting
The fourth meeting of the ninth session (communications meeting)	October 30, 2019	Consideration of the Resolution in relation to the Election of the Chairman of the Remuneration and Assessment Committee under the Ninth Session of the Board of Directors	Mr. Cho Tak Wong, Mr. Wu Yuhui and Ms. Liu Xiaozhi attended the meeting

Note: As Ms. Liu Xiaozhi and Mr. Wu Yuhui, independent non-executive directors, had been holding the office for six consecutive years, they retired from their position after Mr. Liu Jing and Mr. Qu Wenzhou were elected as independent non-executive directors of the ninth session of the Board of Directors at the 2019 first extraordinary general meeting convened on October 30, 2019.

X. THE BOARD OF SUPERVISORS

The Board of Supervisors is the supervisory organization of the Company, and shall be accountable to the general meeting. The Board of Supervisors of the Company consists of three members, including one chairman. As Mr. Ni Shiyong, the former supervisor of the Company passed away in December 2018, the 2019 first extraordinary general meeting of the Company was convened on October 30, 2019, which considered and approved the election of Mr. Ma Weihua as a supervisor of the ninth session of the Board of Supervisors. As at the disclosure date of this report, the Company has three supervisors, namely Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ma Weihua.

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

Section X Company Governance and Corporate Governance Report

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

Session of meeting	Date	Topic	Attendance
The seventh meeting of the ninth session (physical meeting)	March 15, 2019	1. Consideration of the 2018 Work Report of the Board of Supervisors; 2. Consideration of the 2018 Final Financial Accounts; 3. Consideration of the 2018 Annual Report and Annual Report Summary; 4. Consideration of the Resolution in relation to the Change of Accounting Policies; 5. Consideration of the Resolution in relation to the Acquisition of 100% Equity Interests in Jiangsu Fuyao Automotive Trim System Co., Ltd. by a Wholly-owned Subsidiary and Connected Transaction; 6. Consideration of the Resolution in relation to the Extension of the Loan Term for Jinken Glass Industry Shuangliao Co.,Ltd..	Mr. Bai Zhaohua, Mr. Chen Mingsen attended the meeting
The eighth meeting of the ninth session (communications meeting)	April 26, 2019	Consideration of the Resolution in relation to the Full Text and Main Body of the 2019 First Quarterly Report.	Mr. Bai Zhaohua and Mr. Chen Mingsen attended the meeting
The ninth meeting of the ninth session (physical meeting)	August 28, 2019	1. Consideration of the Resolution in relation to the 2019 Interim Report and Summary of the Company; 2. Consideration of the Resolution in relation to the Nomination of Candidate for Supervisor; 3. Consideration of the Resolution in relation to the Change of Accounting Policies.	Mr. Bai Zhaohua and Mr. Chen Mingsen attended the meeting
The tenth meeting of the ninth session (physical meeting)	October 30, 2019	1. Consideration of the Resolution in relation to the full text and main body of the 2019 Third Quarterly Report; 2. Consideration of the Resolution in relation to the Change of Accounting Policies; 3. Consideration of the Resolution in relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year of 2020; 4. Consideration of the Resolution in relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd for the Year of 2020.	Mr. Bai Zhaohua and Mr. Chen Mingsen attended the meeting; Mr. Ma Weihua entrusted Ms. Chen Mingzen to attend the meeting on his behalf due to business trip

Section X Company Governance and Corporate Governance Report

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

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

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

The Remuneration and Assessment Committee performed assessment concerning the performance and implementation of duty of the senior management according to the actual completed production and operating results of the Company in 2019, to ensure the remuneration of the senior management was closely linked to their management and operating results, and thus strengthen the incentive effect of the assessment. During the Reporting Period, the Company did not implement any equity incentive scheme.

XIII. INTEREST OF BUSINESS COMPETITION

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

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

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

Section X Company Governance and Corporate Governance Report

XV. CONTRACT OF SERVICE OF DIRECTORS AND SUPERVISORS

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

XVI. INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

The Company regards information disclosure and investor relationship as very important work. In 2019, in accordance with the relevant regulations of the regulatory authorities such as the CSRC, the SSE and the Hong Kong Stock Exchange, the Company well organized the work of information disclosure and disclosed relevant information in a true, accurate, complete, timely and fair manner. Meanwhile, the Company further strengthened communication with investors, analysts and financial media, and effectively protected the legitimate rights and interests of investors, especially small and medium investors. The Company communicated and exchanged ideas with investors through channels such as non-deal roadshows, earnings call, conference calls, visits reception, investor relations hotline, dedicated mailbox, the "Shanghai interactive e-platform". The Company also set up the website at <http://www.fuyaogroup.com>, for public inspection of the Company's business development and operation, financial information, corporate governance practices, and information and updates about other information.

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

On May 14, 2019, the Company convened the 2018 annual general meeting, at which the Resolution on Amendments to the Articles of Association of the Company was considered and approved. The amendments to the Articles of Association were mainly based on the provisions related to "repurchase of shares" of the Company Law of the People's Republic of China (Amended in 2018), the Code of Corporate Governance for Listed Companies, Detailed Rules of the Shanghai Stock Exchange on Implementation of Repurchase of Shares by Listed Companies and according to the actual situation of the company, the content of the relevant "repurchase shares" clause was amended. For particulars, please refer to the Announcement on Proposed Amendments to the Articles of Association of Fuyao Glass Industry Group Co., Ltd. dated March 16, 2019 and the Announcement on Poll Results of the 2018 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd. dated May 15, 2019 published on Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

XVIII. REMUNERATION OF THE AUDITORS

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

XIX. JOINT COMPANY SECRETARY

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

In 2019, Mr. Chen Xiangming and Ms. Kam Mei Ha, Wendy were in compliance with the training requirements as stipulated in Rule 3.29 of the Hong Kong Listing Rules.

Section X Company Governance and Corporate Governance Report

XX. WHETHER TO DISCLOSE INTERNAL SELF-EVALUATION REPORT

Please refer to the Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) dated April 28, 2020 for the details of the Internal Control Evaluation Report.

XXI. RELEVANT INFORMATION ON INTERNAL CONTROL AUDIT REPORT

(I) Statement of the Responsibilities for Internal Control

The Board of Directors is responsible for the establishment, improvement and effective implementation of internal controls system, the evaluation of the effectiveness of the implementation of internal control, and the truthful disclosure of internal control evaluation report. In accordance with the relevant requirements of the PRC Company Law, the PRC Securities Law, the PRC Accounting Law, Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, the Basic Norms for Enterprise Internal Control and other internal control regulatory requirements and regulations, the Board of Directors has established and improved the risk control measures in all aspects with a risk management oriented approach, which is known as the risk management internal control management system. The system is intended to manage rather than eliminate the risk of failure to achieve our business objectives, and the Board of Directors of the Company can only provide reasonable rather than absolute assurance against material misstatement or loss. In 2019, the Group internal auditing monitored risk levels of the Group by implementing on-site test of the effectiveness of the internal control management system and gave reasonable guarantee for some regulations on risks and control for all operations and management of the Company, standardized operation, risk prevention, assets security, disclosure of financial reports and information in a true, accurate and complete manner and thus to adapt to the market situation or changes in the operating activities of the Group.

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

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

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

The Board of Directors is responsible for the establishment and effective implementation of the risk management-oriented internal control, and assesses its effectiveness at least once a year. The Audit Committee and audit department were set up under the Board of Directors. Under the leadership of the Board of Directors and the supervision and guidance of the Audit Committee, the audit department supervises, reviews and evaluates implementation of internal controls on the risk management of the Company and its subsidiaries, coordinates the internal control audit and other relevant issues. The management of the Company is responsible for leading an effective operation of the risk management-oriented internal control system. During the Reporting Period, the Board of Directors have reviewed the Group's internal controls and risk management system and considered that they are effective.

Section X Company Governance and Corporate Governance Report

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

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

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

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

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

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

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

Section X Company Governance and Corporate Governance Report

(III) Review of Risk Management and Internal Control System

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

(IV) Internal Audit

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

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) issued an audit report on the internal control of the Company and was of the view that the Company has maintained effective internal control in respect of financial report in all significant aspects in accordance with the Basic Norms for Enterprise Internal Control and relevant regulations in the year of 2019.

Whether to disclose the internal control audit report: Yes

Section XI Relevant Information On Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of bonds	Stock short name	Code	Issue date	Maturity date	Balance of bonds	Interest rate (%)	Payment of interest and principal	Stock exchange
Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd.	16 FUYAO 01	136566	July 22, 2016	July 22, 2019	0	3	Interest will be payable annually, and the principal will be repaid upon maturity	SSE

Interest Payment of Corporate Bonds

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

1. The first interest bearing period commenced from July 22, 2016 to July 21, 2017. For details, please refer to the Announcement on Interest Payment in 2017 Regarding the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. dated July 14, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).
2. The second interest bearing period commenced from July 22, 2017 to July 21, 2018. For details, please refer to the Announcement on Interest Payment in 2018 Regarding the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. dated July 14, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).
3. The last period of conversion of principal and payment of interest commenced from July 22, 2018 to July 21, 2019. For details, please refer to the Announcement Regarding the Conversion of Principal and Payment of Interest of 2016 Corporate Bonds (First Tranche) and Delisting of Fuyao Glass Industry Group Co., Ltd. dated July 10, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

Section XI Relevant Information On Corporate Bonds

II. CONTACT PERSON AND CONTACT METHODS OF BOND TRUSTEE AND CONTACT METHODS OF CREDIT RATING AGENCY

Bond Trustee	Name	Beijing Haiwen & Partners
	Office address	20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing
	Contact person	Gao Wei
	Contact number	010-85606888
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	21/F, Anji Building, No. 760, South Tibet Road, Shanghai

III. USE OF CAPITAL RAISED FROM CORPORATE BONDS

- The capital raised from 16 FUYAO 01 (hereinafter referred to as the "Current Corporate Bonds"), after deducting the issuance costs, will be utilized to repay the debts due and to supplement the working capital. As at the end of the Reporting Period, the capital raised from the Current Corporate Bonds had been used up. The management and use of the capital raised from the above Corporate Bonds are consistent with the intended use, use plan and other commitments specified in the Corporate Bonds prospectus. Details of the specific use are as below:

Repayment of Bank Loans with Capital Raised from Current Corporate Bonds

Unit: Yuan Currency: RMB

No.	Name of banks	Amount	Payment date
1	Sumitomo Mitsui Banking Corporation (China) Limited, Shanghai Branch	70,398,533.33	July 26, 2016
2	Sumitomo Mitsui Banking Corporation (China) Limited, Chongqing Branch	70,578,608.33	July 27, 2016
3	Sumitomo Mitsui Banking Corporation (China) Limited, Shenyang Branch	70,000,000.00	July 29, 2016
4	Citibank, N. A., Guangzhou Branch	200,000,000.00	August 1, 2016
Total		<u>410,977,141.66</u>	

Section XI Relevant Information On Corporate Bonds

Replenishment to Liquidity with Capital Raised from Current Corporate Bonds

Unit: Yuan Currency: RMB

No.	Use	Amount
1	Payment of salaries	96,823,988.77
2	Payment of loans	83,756,537.95
3	Payment of tax dues	79,783,748.94
4	Payment of electric charges	43,022,379.14
5	Payment of gas bills	40,965,215.94
6	Payment of due drafts issued	30,055,447.33
7	Payment of social insurance funds	6,587,168.20
8	Payment of delivery expenses	4,541,483.28
9	Payment of storage and transportation expenses	1,253,206.12
10	Payment of water rates	155,557.10
	Total	<u>386,944,732.77</u>

2. Procedures for the Use of Proceeds

The Company used the capital raised from Current Corporate Bonds in strict accordance with the arrangements in "Prospectus of Fuyao Glass Industry Group Co., Ltd. in Relation to the Public Issuance of 2016 Corporate Bonds (First Tranche) (to Qualified Investors)" (hereinafter referred to as the "Prospectus") and the requirements under the Articles of Association of the Company, Administrative Measures for Investment and Raised Capital, and other relevant provisions. The Company established specific accounts to receive, place, transfer and repay interest and principal, and strictly implemented escalated approval procedures. Upon receipt, the capital raised from Current Corporate Bonds was used in strict accordance with the requirements under approval authority management provisions of the Company.

3. Operations of Specific Accounts of Bond Issuance Proceeds

The Company, in strict accordance with relevant agreements in the Prospectus, established specific accounts to receive, place, transfer and repay interest and principal. As at the end of the Reporting Period, there was no operational anomaly in specific accounts of proceeds raised from Current Corporate Bonds.

Section XI Relevant Information On Corporate Bonds

IV. THE CORPORATE BONDS RATINGS

According to the comprehensive assessment by China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司), the Company's corporate credit rating was rated as AAA, and 16 FUYAO 01's credit rating was rated as AAA, indicating that the Company had a strong ability to repay debts and minimal risk of default, and was less likely to be impacted by adverse economic environment.

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

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

On April 26, 2019, China Chengxin Securities Rating Co., Ltd. carried out a follow-up credit assessment of Current Corporate Bonds. According to the final determination of the Credit Rating Committee of China Chengxin Securities Rating, the corporate credit rating of the Company remained as AAA. Due to stable prospects of the credit rating, the credit rating of the Current Corporate Bonds remains AAA.

As the Company has paid the annual interest for the last interest-bearing period and the principal of the Current Corporate Bonds and completed the delisting thereof, China Chengxin Securities Rating Co., Ltd. will not update the credit rating results of the Company and the Current Corporate Bonds since July 26, 2019.

For details of relevant announcements, please refer to the Follow-up Rating Report of the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. (2017), the Follow-up Rating Report of the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. (2018), the Follow-up Rating Report of the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. (2019) and the Credit Rating Report of China Chengxin Securities Rating on terminating the "Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd." dated April 21, 2017, April 27, 2018, April 27, 2019 and July 27, 2019 as published on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the official website of China Chengxin Securities Rating Co., Ltd. (<http://www.ccxr.com.cn/>).

Section XI Relevant Information On Corporate Bonds

V. CORPORATE BOND CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER RELEVANT INFORMATION OF THE COMPANY DURING THE REPORTING PERIOD

1. Credit enhancement mechanism of Current Corporate Bonds

There was no guarantee in connection with Current Corporate Bonds.

2. Debt repayment plan of Current Corporate Bonds

The Company will start the repayment of the annual interest for the last interest-bearing period (i.e. from July 22, 2018 to July 21, 2019), and the principal of the current bonds and complete the delisting thereof on July 22, 2019. For details, please refer to the Announcement on Principal and Interest Payment Regarding 2016 Corporate Bonds (First Tranche) and Delisting of Fuyao Glass Industry Group Co., Ltd. dated July 10, 2019 as published on the websites of the SSE (www.sse.com.cn), the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (<http://www.fuyao.com>).

As at the date of disclosure of this report, the Company has completed the payment of bond interest and principal.

VI. INFORMATION ON CORPORATE BONDHOLDERS' MEETING

There was no corporate bondholders' meeting during the Reporting Period.

VII. INFORMATION ON PERFORMANCE OF DUTIES OF CORPORATE BONDS TRUSTEE

During the duration of Current Corporate Bonds, Beijing Haiwen & Partners, the bond trustee, strictly complied with the stipulations in the Bond Trustee Management Agreement to continuously monitor the Company's credit status, management and use of proceeds, and supervise the Company to fulfill its obligations stipulated in the Corporate Bonds Prospectus. Beijing Haiwen & Partners has actively exercised the duties as a bond trustee to safeguard the legal rights and interests of bondholders.

On June 23, 2017, the bond trustee issued the 2016 Bond Trustee Management Services Report of Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd..

On June 28, 2018, the bond trustee issued the 2017 Bond Trustee Management Services Report of Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd..

On May 23, 2019, the bond trustee issued the Interim Bond Trustee Management Services Report of Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd..

On June 21, 2019, the bond trustee issued the 2018 Bond Trustee Management Services Report of Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd..

Details of above reports are set out in the announcements dated June 24, 2017, June 29, 2018, May 23, 2019 and June 25, 2019 as published on the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Section XI Relevant Information On Corporate Bonds

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

Unit: 0'000 Currency: RMB

Main indicators	2019	2018	Increase/ decrease as compared with the corresponding period last year (%)	Reason for the changes
Earnings before interest, taxes, depreciation and amortization ⁽¹⁾	579,397.59	702,575.84	17.53	
Current ratio (<i>times</i>) ⁽²⁾	1.20	1.26	-4.76	
Quick ratio (<i>times</i>) ⁽³⁾	0.98	1.00	-2.00	
Gearing ratio (%) ⁽⁴⁾	44.96%	41.46%	3.50%	
Total debt to EBITDA ratio ⁽⁵⁾	0.47	0.73	-35.62	Mainly due to a year-on-year decrease in earnings before interest, taxes, depreciation and amortization
Interest coverage ratio (<i>times</i>) ⁽⁶⁾	7.95	13.11	-39.36	Mainly due to a year-on-year decrease in profit before interest and tax
Cash interest coverage ratio (<i>times</i>) ⁽⁷⁾	14.51	16.81	-13.68	
EBITDA interest coverage ratio ⁽⁸⁾	12.56	17.25	-27.19	
Loan repayment ratio (%) ⁽⁹⁾	100%	100%	0	
Interest repayment ratio (%) ⁽¹⁰⁾	100%	100%	0	

Notes :

- (1) Earnings before interest, taxes, depreciation and amortization (EBITDA) = total profit + interest expenses recognised in finance costs + depreciation + amortization of intangible assets + amortization of long-term deferred expenses
- (2) Current ratio = current assets ÷ current liabilities
- (3) Quick ratio = (current assets – inventories) ÷ current liabilities
- (4) Gearing ratio = (total liabilities ÷ total assets) × 100%
- (5) Total debt to EBITDA ratio = EBITDA/total debts, in particular, total debts = long-term borrowings + bonds payable + short term borrowings + trading financial liabilities + notes payable + short-term bonds payable (other current liabilities) + non-current liabilities due within one year + lease liabilities + long-term payables

Section XI Relevant Information On Corporate Bonds

- (6) Interest coverage ratio = profit before interest and tax/(interest expenses recognised in finance costs + capitalized interest expenses)
- (7) Cash interest coverage ratio = (net cash flows from operating activities + cash interest expenses + income tax paid in cash)/cash interest expenses
- (8) EBITDA interest coverage ratio = EBITDA/(interest expenses recognised in finance costs + capitalized interest expenses)
- (9) Loan repayment ratio = actual amount of loan repayment/loan amount repayable × 100%
- (10) Interest repayment ratio = interests actually paid/interests payable × 100%

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

During the Reporting Period, the interest payment of other bonds and debt financing instruments of the Company were made on time, and there was no circumstance involving the deferred payment of interest and principal and the inability to pay interest and principal.

X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

As at December 31, 2019, the Company had a total bank credit of RMB44,075 million, of which RMB11,696 million had been used and RMB32,379 million had not been used.

XI. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR COMMITMENTS SPECIFIED IN CORPORATE BONDS PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company strictly fulfilled the relevant commitments specified in the Corporate Bonds Prospectus and there was no damage to the interests of bond investors.

Section XII Financial Report

INDEPENDENT AUDITOR'S REPORT

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

Opinion

What we have audited

The consolidated financial statements of Fuyao Glass Industry Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 130 to 227, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Section XII Financial Report

Key Audit Matter

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

Key audit matter identified in our audit is as follows.

Key Audit Matter

Revenue recognition

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

For the year ended 31 December 2019, revenue from sales to China OEM customers amounted to RMB9,555 million, which represented approximately 45% of total revenue.

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

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

How our audit addressed the Key Audit Matter

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

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

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

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

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

Section XII Financial Report

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

Section XII Financial Report

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 April 2020

Section XII Financial Report

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

		As at 31 December	
	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	18,037,545	17,115,147
Right-of-use assets	7	701,329	–
Land use rights	8	1,050,928	1,050,397
Intangible assets	9	376,042	277,372
Investments in a joint venture	10	43,948	40,680
Investments in associates	10	155,857	165,057
Long-term prepaid rental expenses	11	–	20,144
Deferred income tax assets	12	518,505	252,461
Other non-current assets	14	180,000	843
		21,064,154	18,922,101
Current assets			
Inventories	13	3,280,465	3,241,740
Trade and other receivables	14	4,492,347	5,538,623
Financial assets at fair value through profit or loss	17	860,894	387,262
Financial assets at fair value through other comprehensive income	17	784,418	–
Derivative financial instruments	17	85	47,542
Restricted cash	15	3,485	8,317
Cash and cash equivalents	15	8,352,669	6,357,656
		17,774,363	15,581,140
Total assets		38,838,517	34,503,241
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	18	2,508,618	2,508,618
Share premium	19	6,202,553	6,202,553
Other reserves	19	2,830,500	2,329,412
Retained earnings	19	9,840,932	9,163,125
		21,382,603	20,203,708
Non-controlling interests		(1,285)	(1,034)
Total equity		21,381,318	20,202,674

Section XII Financial Report

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2019

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	1,193,000	1,246,875
Lease liabilities	7	571,282	–
Long-term payables	21	72,491	–
Deferred income tax liabilities	12	161,080	159,749
Deferred income on government grants	22	673,449	489,112
		2,671,302	1,895,736
Current liabilities			
Trade and other payables	23	4,206,392	4,274,338
Contract liabilities	24	695,400	594,503
Current income tax liabilities		264,917	331,863
Borrowings	20	9,525,806	7,153,326
Derivative financial instruments	17	3,795	3,078
Current portion of Lease liabilities	7	85,983	–
Current portion of Long-term payables	21	3,604	–
Current portion of deferred income on government grants	22	–	47,723
		14,785,897	12,404,831
Total liabilities		17,457,199	14,300,567
Total equity and liabilities		38,838,517	34,503,241

The notes on pages 136 to 227 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 130 to 135 were approved by the Board of Directors on 27 April 2020 and were signed on behalf.

Cho Tak Wong
Director

Chen Xiangming
Director

Section XII Financial Report

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

		Year ended 31 December	
Note	2019 RMB'000	2018 RMB'000	
Revenue	25	21,103,878	20,224,986
Cost of sales	25,28	(13,399,311)	(11,828,463)
Gross profit		7,704,567	8,396,523
Distribution costs and selling expenses	28	(1,481,567)	(1,467,671)
Administrative expenses	28	(2,194,223)	(2,071,318)
Research and development expenses	28	(813,130)	(887,722)
Other income	26	181,754	146,750
Other gains – net	27	7,875	1,009,830
Net impairment losses on financial assets	3.1	(20,512)	(28,132)
Operating profit		3,384,764	5,098,260
Finance income	30	284,421	236,034
Finance costs	30	(432,680)	(376,230)
Finance costs – net		(148,259)	(140,196)
Share of net profit of joint venture and associate accounted for using the equity method	10	(5,932)	3,744
Profit before income tax		3,230,573	4,961,808
Income tax expense	31	(332,956)	(855,188)
Profit for the year		2,897,617	4,106,620
Profit is attributable to:			
Owners of the Company		2,897,868	4,119,935
Non-controlling interests		(251)	(13,315)
Profit for the year		2,897,617	4,106,620
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
- Basic and diluted earnings per share (expressed in RMB per share)	32	1.16	1.64

The notes on pages 136 to 227 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Profit for the year		2,897,617	4,106,620
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences	19	162,490	162,934
Other comprehensive income for the year, net of tax		162,490	162,934
Total comprehensive income for the year		3,060,107	4,269,554
Total comprehensive income is attributable to:			
Owners of the Company		3,060,358	4,282,869
Non-controlling interests		(251)	(13,315)
Total comprehensive income for the year		3,060,107	4,269,554

The notes on pages 136 to 227 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Note	Attributable to owners of the Company				Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 17)	Share premium RMB'000 (Note 18)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000 (Note 19)			
Total equity at 1 January 2018	2,508,618	6,202,553	1,729,993	8,365,640	18,806,804	4,423	18,811,227
Comprehensive income:							
Profit for the year	-	-	-	4,119,935	4,119,935	(13,315)	4,106,620
Other comprehensive income:							
Currency translation differences	-	-	162,934	-	162,934	-	162,934
Total comprehensive income	-	-	162,934	4,119,935	4,282,869	(13,315)	4,269,554
Total transaction with equity holders:							
Dividends relating to 2017 and 2018	33	-	-	(2,884,910)	(2,884,910)	(12,096)	(2,897,006)
Total transaction with equity holders, recognised directly in equity		-	-	(2,884,910)	(2,884,910)	(12,096)	(2,897,006)
Appropriation to statutory reserve	19	-	-	437,540	(437,540)	-	-
Others		-	-	(1,055)	-	19,954	18,899
Balance at 31 December 2018	2,508,618	6,202,553	2,329,412	9,163,125	20,203,708	(1,034)	20,202,674
Total equity at 1 January 2019	2,508,618	6,202,553	2,329,412	9,163,125	20,203,708	(1,034)	20,202,674
Comprehensive income:							
Profit for the year	-	-	-	2,897,868	2,897,868	(251)	2,897,617
Other comprehensive income:							
Currency translation differences	-	-	162,490	-	162,490	-	162,490
Total comprehensive income	-	-	162,490	2,897,868	3,060,358	(251)	3,060,107
Total transaction with equity holders:							
Dividends relating to 2018	33	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Total transaction with equity holders, recognised directly in equity		-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Appropriation to statutory reserve	19	-	-	338,598	(338,598)	-	-
Balance at 31 December 2019	2,508,618	6,202,553	2,830,500	9,840,932	21,382,603	(1,285)	21,381,318

The notes on pages 136 to 227 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Cash flow from operating activities			
Cash generated from operations	34(a)	5,365,526	6,063,456
Income tax paid		(664,615)	(612,066)
Net cash generated from operating activities		4,700,911	5,451,390
Cash flow from investing activities			
Proceeds from disposal of subsidiaries and joint ventures		–	682,452
Proceeds from disposal of property, plant and equipment	34(b)	40,473	63,762
Proceeds from disposal of intangible assets and land use rights	34(b)	303	–
Acquisition of subsidiaries, net of cash acquired	37	(20,314)	(240,131)
Purchases of property, plant and equipment		(2,682,354)	(3,429,684)
Purchases of land use rights		(25,180)	(81,784)
Purchases of intangible assets		(71,968)	(80,273)
Purchase of financial assets at fair value through profit or loss – net		(465,000)	(285,000)
Interest received and proceeds from disposal from derivative financial instruments		330,788	271,558
Dividends received	10	–	7,350
Decrease in restricted cash		4,832	15,587
Government grants received relating to property, plant and equipments	22	189,127	104,850
Net cash used in investing activities		(2,699,293)	(2,971,313)
Cash flows from financing activities			
Proceeds from borrowings		16,917,757	13,564,599
Repayments of borrowings		(14,637,413)	(13,341,533)
Dividends paid to Company's shareholders	19	(1,881,463)	(2,884,910)
Dividends paid to non-controlling interests in subsidiaries		–	(12,096)
Interest paid		(428,609)	(406,065)
Payment of lease liabilities		(85,809)	–
Net cash used in from financing activities		(115,537)	(3,080,005)
Net increase/(decrease) in cash and cash equivalents		1,886,081	(599,928)
Cash and cash equivalents at beginning of the year		6,357,656	6,704,296
Exchange differences on cash and cash equivalents		108,932	253,288
Cash and cash equivalents at end of the year		8,352,669	6,357,656

The notes on pages 136 to 227 are an integral part of these consolidated financial statements.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Corporate Information

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

The Company's shares have been listed on both the Shanghai Stock Exchange ("A shares") and the Stock Exchange of Hong Kong Limited ("H shares"). As at 31 December 2019, the Company had 2,002,986,332 A shares and 505,631,200 H shares in total, among which, Mr. Cho Tak Wong(曹德旺) and his spouse held 16.95% equity interests in the Company.

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

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

2 Summary Of Significant Accounting Policies

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

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

2.1 Basis of preparation

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments that are relevant to the Group for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The group also elected to adopt the following amendments early.

- Definition of Material – Amendments to IAS 1 and IAS 8.

The group had to change its accounting policies as a result of adopting IFRS 16, which is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1.92%.

(a) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- considering the parts which is reasonably certain to be executed in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) Measurement of lease liabilities

	2019 <i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	395,186
(Less): Lease contracts commenced in 2019	(162,407)
Short-term leases not recognised as a lease liability	(12,023)
	<hr/> 220,756 <hr/>
Discounted using the incremental borrowing rate of at the date of initial application	211,053
	<hr/> 211,053 <hr/>
Lease liabilities recognised as at 1 January 2019	211,053
Of which are:	
Current lease liabilities	1,886
Non-current lease liabilities	209,167
	<hr/> 211,053 <hr/>

(c) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (Continued)

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Other receivables – decrease by RMB60,009,000
- Non-current lease liabilities – increase by RMB209,167,000.
- Right-of-use assets – increase by RMB291,206,000
- Current portion of lease liabilities – increase by RMB1,886,000
- Long-term prepaid rental expenses – decrease by RMB20,144,000

(e) Lessor accounting

- The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2.3 Subsidiaries

2.3.1 Consolidation

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.3 Subsidiaries (Continued)

2.3.2 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.3 Subsidiaries (Continued)

2.3.3 Separate financial statement

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

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

2.4 Associates

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

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

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

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

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.5 Joint arrangements

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

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

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

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

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

2.6 Segment reporting

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.8 Property, plant and equipment

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

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

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

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

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

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

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

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

2.9 Land use rights

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.10 Intangible assets

(a) **Goodwill**

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

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

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

(b) **Patents**

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

(c) **Licenses fee**

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

(d) **Computer software**

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

(e) **Other intangible assets**

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.11 Impairment of non-financial assets

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

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

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

2.13 Financial assets

2.13.1 Classification

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

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

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

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

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

2.13.2 Recognition and derecognition

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.13 Financial assets (Continued)

2.13.3 Measurement

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

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

Debt instruments

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.13 Financial assets (Continued)

2.13.3 Measurement (Continued)

Equity instruments

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

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

2.13.4 Impairment

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

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

2.14 Offsetting financial instruments

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

2.15 Inventories

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.16 Trade and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 14 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

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

2.18 Restricted cash

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

2.19 Share capital

Ordinary shares are classified as equity.

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

2.20 Trade and other payables

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.21 Borrowings

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

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

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

2.22 Borrowings cost

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

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

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

2.23 Derivative financial instruments

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

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.24 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.24 Current and deferred income tax (Continued)

(c) Offsetting

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

2.25 Employee benefits

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

(a) Short-term obligations

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

(b) Pension obligations

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

China

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

United States of America

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.25 Employee benefits (Continued)

(c) Termination benefits

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

2.26 Provision and contingent liabilities

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

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

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

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.27 Revenue recognition

Sales of products

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

2.28 Interest income

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

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

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 30 below.

2.29 Dividend income

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

2.30 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.31 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 36). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.31 Leases (Continued)

To determine the incremental borrowing rate, the group:

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

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary Of Significant Accounting Policies (Continued)

2.32 Government grants

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

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

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

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

2.33 Dividend distribution

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

2.34 Research and development

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

As at 31 December 2019 and 2018, if RMB had strengthened/weakened by 10% against the foreign currencies while all other variables had been held constant, net profit for the year of the companies in the Group whose functional currency is RMB would have changed as follows, mainly as a result of exchange gains/losses on translation of various financial assets and liabilities denominated in foreign currencies and the derivative instruments held by the Group:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net profit increase/(decrease)		
USD		
– Strengthened 10%	(330,502)	(226,213)
– Weakened 10%	330,502	226,213
	<hr/>	<hr/>
EUR		
– Strengthened 10%	(25,232)	(25,703)
– Weakened 10%	25,232	25,703
	<hr/>	<hr/>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 20.

As at 31 December 2019 and 2018, if interest rates on bank borrowings had risen/fallen by 50 basis points with all other variables held constant, the Group's net profit for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net profit increase/(decrease)		
– risen 50 basis points	(5,350)	(5,131)
– fallen 50 basis points	5,350	5,131
	<u>5,350</u>	<u>5,131</u>

(b) Credit risk

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

(i) Risk management

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

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

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

On that basis, the loss allowance as at 31 December 2019 (on adoption of IFRS 9) was determined as follows for trade receivables:

At 31 December 2019	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	0.09%	7.99%	43.04%	–	–
Gross carrying amount – trade receivables	3,460,106	191	271	1,550	3,462,118
Loss allowance – IFRS 9	3,006	15	117	–	3,138
Individually impaired receivables	–	–	–	1,550	1,550
Total loss allowance	3,006	15	117	1,550	4,688

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The closing loss allowances for trade receivables and other receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Opening loss allowance as at 1 January 2019 – calculated under IFRS 9	2,679	–	23,812	–
Increase in loss allowance recognised in profit or loss during the year	2,846	4,388	17,666	23,744
Currency translation difference	(6)	–	(132)	68
Write-off against uncollectible receivables	(831)	(1,709)	–	–
At 31 December	4,688	2,679	41,346	23,812

Net impairment losses on financial assets recognised in profit or loss

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	2019 RMB'000	2018 RMB'000
Impairment losses		
– Movement in loss allowance for trade receivables and other receivables	(21,350)	(28,132)
– Reversal of previous impairment losses	838	–
Net impairment losses on financial assets	(20,512)	(28,132)

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

The Group is also exposed to credit risk in relation to financial assets at fair value through profit or loss and derivative financial instruments. The maximum exposure at the end of reporting period is the carrying amount of these financial assets of RMB860,979,000 (2018: RMB434,804,000).

(c) Liquidity risk

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

The Group had access to the following undrawn borrowing facilities as at 31 December 2019 and 2018:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Bank credit		
Expiring within one year	21,906,787	13,358,244
Expiring beyond one year	10,471,807	8,752,893
	32,378,594	22,111,137

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (continued)

As at 31 December 2019

Borrowings, including interest payables
Long term payables
Lease Liabilities
Derivative financial instruments (*Note 17*)
Financial liabilities included in trade and other payables

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings, including interest payables	9,612,747	631,553	602,655	–	10,846,955
Long term payables	7,008	7,008	21,024	70,081	105,121
Lease Liabilities	95,034	88,735	213,904	326,436	724,109
Derivative financial instruments (<i>Note 17</i>)	3,795	–	–	–	3,795
Financial liabilities included in trade and other payables	3,652,981	–	–	–	3,652,981
	13,371,565	727,296	837,583	396,517	15,332,961

As at 31 December 2018

Borrowings, including interest payables
Derivative financial instruments (*Note 17*)
Financial liabilities included in trade and other payables

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings, including interest payables	7,296,444	1,068,308	220,457	–	8,585,209
Derivative financial instruments (<i>Note 17</i>)	3,078	–	–	–	3,078
Financial liabilities included in trade and other payables	3,642,550	–	–	–	3,642,550
	10,942,072	1,068,308	220,457	–	12,230,837

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management (Continued)

3.2 Capital risk management

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

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

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

The net liability to equity ratios as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total borrowings (Note 20)	10,718,806	8,400,201
Total lease liabilities (Note 7)	657,265	–
Total long-term payables (Note 21)	76,095	–
Less: Cash and cash equivalents (Note 15)	(8,352,669)	(6,357,656)
Net liability	3,099,497	2,042,545
Total equity	21,381,318	20,202,674
Total capital	24,480,815	22,245,219
Net liability to equity ratio	12.66%	9.18%

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management (Continued)

3.3 Fair value estimation

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Assets				
Financial assets at fair value through profit or loss				
– structure deposits	–	–	860,894	860,894
Derivative financial instruments				
– forward foreign exchange contract	–	–	85	85
Note receivable at fair value through other comprehensive Income	–	–	784,418	784,418
	<u>–</u>	<u>–</u>	<u>1,645,397</u>	<u>1,645,397</u>
Liabilities				
Derivative financial instruments				
– foreign currency option contracts	–	–	3,795	3,795
	<u>–</u>	<u>–</u>	<u>3,795</u>	<u>3,795</u>
As at 31 December 2018				
Assets				
Financial assets at fair value through profit or loss				
– structure financial product	–	–	1,401	1,401
– structure deposits	–	–	385,861	385,861
Derivative financial instruments				
– foreign currency swap contracts	–	–	44,662	44,662
– forward foreign exchange contract	–	–	2,880	2,880
	<u>–</u>	<u>–</u>	<u>434,804</u>	<u>434,804</u>
Liabilities				
Derivative financial instruments				
– forward foreign exchange contract	–	–	2,641	2,641
– foreign currency swap contracts	–	–	437	437
	<u>–</u>	<u>–</u>	<u>3,078</u>	<u>3,078</u>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

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

The following table presents the changes in level 3 items for the periods ended 31 December 2019 and 31 December 2018:

	Structure financial product RMB'000	Structure deposits RMB'000	Foreign currency swap contracts RMB'000	Forward foreign exchange contract RMB'000	Foreign currency option contracts RMB'000	Note receivable at fair value through other comprehensive income RMB'000	Total RMB'000
Closing balance 31 December 2018	1,401	385,861	240	44,224	-	-	431,726
Acquisitions	-	4,300,000	85	-	-8,130	6,451,863	10,743,818
Disposals	-6,816	-3,902,042	11,485	-38,856	6,647	-5,657,013	-9,586,595
Recognised in other gains/ (losses)-net *	5,415	77,075	-11,725	-5,368	-2,312	-10,432	52,653
Closing balance as at 31 December 2019	-	860,894	85	-	-3,795	784,418	1,641,602

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

2019	-	10,894	84	-	-	-	10,978
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(c) Fair value of financial assets and liabilities measured at amortised cost

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4 Critical accounting estimates and judgements

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

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

(a) Estimated useful lives and residual values of property, plant and equipment

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

(b) Net realisable value of inventories

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

(c) Current and deferred income tax

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4 Critical accounting estimates and judgements (Continued)

(d) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

(e) Impairment of non-financial assets

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

5 Segment information

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6 Property, Plant And Equipment

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and other equipment <i>RMB'000</i>	Tools, moulds, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2018	4,465,817	5,729,458	1,133,911	475,069	3,366,783	15,171,038
Currency translation difference	40,087	87,958	5,060	208	52,162	185,475
Transfer	660,136	2,132,603	313,479	3,546	(3,109,764)	-
Acquisition of subsidiaries	62,828	138,630	31,664	9,927	184,517	427,566
Other additions	85,198	179,449	355,937	358,297	2,480,860	3,459,741
Disposals (<i>Note 34(b)</i>)	(12,009)	(53,238)	(50,764)	(7,634)	-	(123,645)
Disposal of a subsidiary	(125,965)	(156,383)	(39,512)	(14,666)	(37,745)	(374,271)
Depreciation (<i>Note 28</i>)	(270,754)	(794,782)	(312,861)	(252,360)	-	(1,630,757)
Closing net book amount	4,905,338	7,263,695	1,436,914	572,387	2,936,813	17,115,147
At 31 December 2018						
Cost	6,456,778	11,921,913	2,566,480	1,552,743	2,936,813	25,434,727
Accumulated depreciation	(1,551,440)	(4,658,218)	(1,129,566)	(980,356)	-	(8,319,580)
Net book amount	4,905,338	7,263,695	1,436,914	572,387	2,936,813	17,115,147
At 31 December 2018	4,905,338	7,263,695	1,436,914	572,387	2,936,813	17,115,147
Currency translation difference	63,090	58,875	2,870	199	17,353	142,387
Transfer	575,693	820,315	373,409	2,599	(1,772,016)	-
Acquisition of subsidiary	-	-	-	-	19,002	19,002
Other additions	121,443	374,690	197,205	364,844	1,699,881	2,758,063
Disposals (<i>Note 34(b)</i>)	(1,565)	(22,695)	(11,417)	(14,073)	-	(49,750)
Disposal of a subsidiary	-	-	-	-	-	-
Depreciation (<i>Note 28</i>)	(308,560)	(940,492)	(389,627)	(308,625)	-	(1,947,304)
Closing net book amount	5,355,439	7,554,388	1,609,354	617,331	2,901,033	18,037,545
At 31 December 2019						
Cost	7,208,245	12,776,290	3,097,059	1,854,294	2,901,033	27,836,921
Accumulated depreciation	(1,852,806)	(5,221,902)	(1,487,705)	(1,236,963)	-	(9,799,376)
Net book amount	5,355,439	7,554,388	1,609,354	617,331	2,901,033	18,037,545

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6 Property, Plant And Equipment (Continued)

- (a) As at 31 December 2019, the Group was still in the process of applying for the ownership certificates of certain buildings with aggregated carrying amounts of approximately RMB904,422,000 (31 December 2018: RMB1,172,970,000). The Directors of the Group consider that these buildings pending ownership certificates do not affect the daily operation of the Group.
- (b) During the year, the Group has capitalised borrowing costs of RMB28,457,000 (2018: RMB31,104,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 3.46% (2018: 3.66 %).
- (c) At 31 December 2019, the Group's land and above-ground buildings with the carrying amount RMB21,749,000 (31 December 2018: RMB22,011,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2018: HKD30,000,000).

7 Leases

- (a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 <i>RMB'000</i>	1 January 2019 * <i>RMB'000</i>
Right-of-use assets		
Buildings	628,389	271,062
Equipment	4,135	–
Vehicles	39,490	–
Others	29,315	20,144
	701,329	291,206
Lease liabilities		
Current	85,983	1,886
Non-current	571,282	209,167
	657,265	211,053

* For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 2.2.

Additions to the right-of-use assets during the 2019 financial year were RMB522,373,000.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7 Leases (Continued)

- (b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

		2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets			
Buildings		82,854	–
Equipment		376	–
Vehicles		13,250	–
Others		11,086	–
		107,566	–
Interest expense (included in finance cost)	30	13,913	–
Expense relating to short-term leases (included in cost of goods sold · Distribution costs and selling expenses and administrative expenses)	28	74,910	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses, etc)	28	1,698	–
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		–	–

The total cash outflow for leases in 2019 was RMB162,417,000.

- (c) The Group's leasing activities and how these are accounted for

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

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

- (d) Extension and termination options

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

8 Land Use Rights

The Group obtain land use rights mainly through arrangement with mainland China government and the remaining period is between 20 to 49 years.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening net book value	1,050,397	982,852
Currency translation difference	328	677
Additions	25,180	81,784
Acquisition of business unit	–	51,240
Disposal of subsidiaries	–	(41,913)
Amortisation charges (Note 28)	(24,977)	(24,243)
Closing net book value	1,050,928	1,050,397

- (a) At December 31, 2019, the Group's land and above-ground buildings with the carrying amount RMB21,749,000 (31 December 2018: RMB22,011,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2018: HKD30,000,000).
- (b) As at 31 December 2019, the Group has no land use rights still in the process of applying for the ownership certificates (31 December 2018: RMB13,605,000).

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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
Year ended 31 December 2018							
Opening net book amount	74,678	6,219	32,436	24,786	4,186	1,244	143,549
Acquisition of business unit	-	-	-	1,503	-	383	1,886
Currency translation difference	-	-	1,619	454	-	2	2,075
Additions	79,029	295	-	45,730	32,551	1,697	159,302
Disposal	-	-	-	(3,415)	-	-	(3,415)
Amortisation (Note 28)	-	(1,634)	(3,449)	(19,570)	(846)	(526)	(26,025)
Closing net book amount	<u>153,707</u>	<u>4,880</u>	<u>30,606</u>	<u>49,488</u>	<u>35,891</u>	<u>2,800</u>	<u>277,372</u>
At 31 December 2018							
Cost	153,707	32,904	70,688	124,231	38,462	18,162	438,154
Accumulated amortisation	-	(28,024)	(40,082)	(74,743)	(2,571)	(15,362)	(160,782)
Net book amount	<u>153,707</u>	<u>4,880</u>	<u>30,606</u>	<u>49,488</u>	<u>35,891</u>	<u>2,800</u>	<u>277,372</u>
Year ended 31 December 2019							
Opening net book amount	153,707	4,880	30,606	49,488	35,891	2,800	277,372
Currency translation difference	-	-	471	82	-	(1)	552
Additions	1,234	15	-	39,978	100,267	7,803	149,297
Disposal	-	-	-	-	-	(303)	(303)
Amortisation (Note 28)	-	(1,650)	(3,477)	(29,231)	(15,592)	(926)	(50,876)
Closing net book amount	<u>154,941</u>	<u>3,245</u>	<u>27,600</u>	<u>60,317</u>	<u>120,566</u>	<u>9,373</u>	<u>376,042</u>
At 31 December 2019							
Cost	154,941	32,919	71,366	164,492	138,729	25,481	587,928
Accumulated amortisation	-	(29,674)	(43,766)	(104,175)	(18,163)	(16,108)	(211,886)
Net book amount	<u>154,941</u>	<u>3,245</u>	<u>27,600</u>	<u>60,317</u>	<u>120,566</u>	<u>9,373</u>	<u>376,042</u>

During the year, the Group had research and development cost amounted to RMB813,130,000 which was all expensed (2018: RMB887,722,000).

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

9 Intangible Assets (Continued)

(a) Impairment tests for goodwill

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fuyao (Xiamen) Precision Corp. (Note (i))	74,942	74,942
Fujian Wanda Automobile Glass Industry Co., Ltd. (Note (ii))	62,744	62,744
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (Note (iii))	11,934	11,934
Fujian Triplex Group Holdings Co., Ltd. (Note (iv))	4,087	4,087
Jiangsu Fuyao Automotive Trim System Co., Ltd. (Note (v))	1,234	—
	154,941	153,707

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

(i) Fuyao (Xiamen) Precision Corp.

	Year ended 31 December	
	2019	2018
Gross profit margin	26%–28%	25%-31%
Discount rate	16%	16%
Budgeted growth rate	19%–30%	14%-36%
Long-term growth rate	2%	2%

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

	Year ended 31 December	
	2019	2018
Gross profit margin	38%	38%
Discount rate	15%	15%
Budgeted growth rate	3%	3%
Long-term growth rate	2%	2%

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

9 Intangible Assets (Continued)

(a) Impairment tests for goodwill (Continued)

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

	Year ended 31 December	
	2019	2018
Gross profit margin	75%	68%
Discount rate	17%	17%
Budgeted growth rate	5%	5%
Long-term growth rate	2%	2%

(iv) Fujian Triplex Group Holdings Co., Ltd.

	Year ended 31 December	
	2019	2018
Gross profit margin	33%	37%
Discount rate	15%	15%
Budgeted growth rate	5%	5%
Long-term growth rate	2%	2%

(v) Jiangsu Fuyao Automotive Trim System Co., Ltd.

	Year ended 31 December	
	2019	2018
Gross profit margin	10%–16%	–
Discount rate	16%	–
Budgeted growth rate	15%–25%	–
Long-term growth rate	2%	–

As at 31 December 2019 and 2018, management performed the value-to-use calculation and no impairment is identified.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

9 Intangible Assets (Continued)

(a) Impairment tests for goodwill (Continued)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Gross profit margin	Based on historical experience and market development expectations.
Discount rate	Reflects the specific risk of the relevant asset group and asset group combination
Budgeted growth rate	Based on historical experience and market development expectations.
Long-term growth rate	The weighted average growth rate used by the Group to forecast cash flows after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each product.

10 Investments Accounted For Using The Equity Method

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Share of net assets, unlisted		
– Joint venture	43,948	40,680
– Associates	155,857	165,057
	199,805	205,737
Associates and joint venture		
Beginning of the year	205,737	95,520
– Addition	–	113,823
– Dividends received	–	(7,350)
– Share of results	(5,932)	3,744
End of the year	199,805	205,737

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

10 Investments Accounted For Using The Equity Method (Continued)

(a) Joint venture

(i) The Group's investments in joint venture during the year, which is unlisted, is set out as follows:

Company name	Country/place and date of incorporation	% of ownership interest	Attributable equity interests to the Group as at 31 December		Principle activities
			2019 RMB'000	2018 RMB'000	
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包装(福州)有限公司)	Fuzhou, the PRC, 2005	49%	43,948	40,680	Production and processing of paper articles and printed matter, especially corrugated paper

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

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit RMB'000	Net assets RMB'000
Year ended 31 December 2019	50,850	6,902	62,137	3,268	43,948
Year ended 31 December 2018	49,771	9,091	73,431	4,649	40,680

(b) Associates

(i) The Group's investments in associates during the year, which is unlisted, is set out as follows:

Company name	Country/place and date of incorporation	% of ownership interest	Attributable equity interests to the Group as at 31 December		Principle activities
			2019 RMB'000	2018 RMB'000	
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	Shuangliao, the PRC, 2003	25%	45,027	52,838	Production and sales of float glass
Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司)	Beijing, the PRC, 2003	25%	110,830	112,219	Holding of the land and plant

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

10 Investments Accounted For Using The Equity Method (Continued)

(b) Associates (continued)

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

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit/ (loss) RMB'000	Net assets RMB'000
Year ended 31 December 2019					
Jinken Glass Industry Shuangliao Co., Ltd.	112,093	71,724	70,039	(7,810)	40,369
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	111,009	179	1,106	(1,390)	110,830
	<u>223,102</u>	<u>71,903</u>	<u>71,145</u>	<u>(9,200)</u>	<u>151,199</u>
Year ended 31 December 2018					
Jinken Glass Industry Shuangliao Co., Ltd.	122,850	74,671	49,230	699	48,179
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	112,446	227	-	(1,604)	112,219
	<u>235,296</u>	<u>74,898</u>	<u>49,230</u>	<u>(905)</u>	<u>160,398</u>

11 Long-Term Prepaid Rental Expenses

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Cost	-	78,795
Accumulated amortisation	-	(58,651)
Net book amount	<u>-</u>	<u>20,144</u>

On adoption of IFRS 16, the Group reclassifies the long-term prepaid rental expenses to right-of-use assets, please refer to Note 2.2.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12 Deferred Income Tax Assets And Liabilities

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	283,594	138,488
– to be recovered after more than 12 months	742,260	600,708
	1,025,854	739,196
Offset against deferred income tax liabilities	(507,349)	(486,735)
Net deferred income tax assets	518,505	252,461
Deferred income tax liabilities:		
– to be recovered within 12 months	22,370	20,665
– to be recovered after more than 12 months	646,059	625,819
	668,429	646,484
Offset against deferred income tax assets	(507,349)	(486,735)
Net deferred income tax liabilities	161,080	159,749

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12 Deferred Income Tax Assets And Liabilities (Continued)

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

Deferred income tax assets	Tax losses carried forward(a) <i>RMB'000</i>	Impairment provision <i>RMB'000</i>	Accruals <i>RMB'000</i>	Unrealised profit (b) <i>RMB'000</i>	Government grants <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2018	425,803	4,877	5,674	191,339	43,121	68,383	739,197
Recognised in the consolidated income statements	155,271	(788)	67,715	10,786	13,006	15,108	261,098
Impact in exchange rate change	19,925	-	2,239	-	202	3,193	25,559
At 31 December 2019	600,999	4,089	75,628	202,125	56,329	86,684	1,025,854

- (a) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of related tax benefits through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of RMB365,961,000 (2018: RMB472,291,000) in respect of the accumulated losses of RMB1,473,427,000 (2018: RMB1,953,848,000), loss amounting to RMB362,660,000 will be expired during the year 2019 to year 2039, loss amounting to RMB1,110,767,000 will be continued to be deducted after the year 2039.
- (b) Unrealised profit mainly attributed to the unrealised profit from intra-Group sales and tooling sales.

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

Deferred income tax liabilities	Withholding taxation on unremitted earnings of certain subsidiaries <i>RMB'000</i>	Depreciation of property, plant and equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2018	50,761	496,790	98,933	646,484
Recognised in the consolidated income statements	13,215	(9,435)	(7,602)	(3,822)
Impact in exchange rate change	-	32,928	(7,161)	25,767
At 31 December 2019	63,976	520,283	84,170	668,429

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

13 Inventories

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Raw materials	1,269,491	1,288,788
Work in process	245,330	172,090
Finished goods	1,769,990	1,792,978
Low value consumables	16,635	16,634
	3,301,446	3,270,490
Less: write-down to net realisable value	(20,981)	(28,750)
	3,280,465	3,241,740

The cost of inventory recognised as expense and included in 'cost of sales' amounted to RMB6,400,756,000 for the year ended 31 December 2019 (2018: RMB6,067,205,000) (Note 28).

Inventories are valued at the lower of cost and estimated net realisable value. Write-down of inventories to net realisable value recognised in the consolidated income statements during the year are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
At beginning of the year	28,750	8,104
Write-down to net realisable value (Note 28)	3,940	22,336
Acquisition of subsidiaries	-	1,429
Write-off of inventory provision	(11,709)	(3,119)
	20,981	28,750
At end of the year		

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

14 Trade And Other Receivables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables due from third parties (a):		
Notes receivables (<i>Note 17(f)</i>)	20,011	710,400
Accounts receivables	3,462,118	3,596,387
Less: loss allowance	(4,688)	(2,679)
	<u>3,477,441</u>	<u>4,304,108</u>
Trade receivables – net		
Other receivables due from third parties (b):		
Other receivables	504,702	452,784
Less: loss allowance	(41,346)	(23,812)
	<u>463,356</u>	<u>428,972</u>
Other receivables – net		
Amount due from related parties (Note 38(c)):		
Other receivables (<i>i</i>)	182,681	253,297
	<u>182,681</u>	<u>253,297</u>
Others:		
Prepayments to suppliers	222,502	220,127
Prepaid income tax and value-added tax recoverable and refundable	326,367	332,962
	<u>548,869</u>	<u>553,089</u>
Trade and other receivables	<u>4,672,347</u>	<u>5,539,466</u>
Less: non-current portion of prepaid income tax and value-added tax recoverable and refundable	–	(843)
Less: non-current portion of amount due from related parties (<i>i</i>)	(180,000)	–
	<u>(180,000)</u>	<u>(843)</u>
Trade and other receivables – net	<u>4,492,347</u>	<u>5,538,623</u>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

14 Trade And Other Receivables (Continued)

- (i) As at 31 December 2019, the non-current portion of other receivables due from related party includes a loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd. The loan will be due in August 2021. The interest rate is at 5.225% per annum. The loan to associate is secured by 75% of share of the associate held by third parties and all assets, plants and equipments (including but not limited to buildings, land use rights, etc) owned by the associate are unconditionally pledged to the Group as security for the loan. As at 31 December 2019, the book value of the associate is RMB300,374,000.

As at 31 December 2019 and 2018, the carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	<i>RMB'000</i>
RMB	3,194,122	3,888,107
USD	1,123,519	1,202,724
EUR	315,612	383,103
Others	85,128	92,023
	4,718,381	5,565,957

- (a) Trade receivables, including notes receivables and account receivables, are arising from sales of products. The credit period granted to customers is ranging from 1 month to 4 months. No interest is charged on the overdue trade receivables. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2019 and 2018 was as follows:

	As at 31 December	
	2019	2018
	RMB'000	<i>RMB'000</i>
Trade receivables – gross		
Within 3 months	3,242,570	4,037,994
3 to 6 months	203,519	240,638
6 to 12 months	34,003	23,723
Over 1 year	2,037	4,432
	3,482,129	4,306,787

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

14 Trade And Other Receivables (Continued)

(b) Details of other receivables are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deposits and guarantees	16,614	16,752
Payments on behalf of others	25,729	14,318
Consideration receivable from disposal of a subsidiary	327,599	321,400
Compensation receivable	41,346	23,812
Others	93,414	76,502
	504,702	452,784

(c) As at 31 December 2019 and 2018, the fair value of trade and other receivables of the Group, except for the prepayments to suppliers, prepaid current income tax and value-added tax recoverable and refundable, which are not financial assets, approximated to their carrying amounts.

(d) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Other receivables are subject to the expected credit loss model and have been grouped based on shared credit risk characteristics.

Note 3.1 provides for details about the calculation of the allowance.

15 Cash And Cash Equivalents And Restricted Cash

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	8,356,154	6,365,973
Less: restricted cash (b)	(3,485)	(8,317)
Cash and cash equivalents (a)	8,352,669	6,357,656

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

15 Cash And Cash Equivalents And Restricted Cash (Continued)

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	1,586,612	1,331,955
USD	6,445,195	4,880,279
EUR	260,106	111,048
RBL	20,390	23,394
Others	40,366	10,980
	8,352,669	6,357,656

- (b) Details of restricted cash are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deposits pledged for letter of credit and notes	3,485	4,200
Others	—	4,117
	3,485	8,317

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Restricted cash is denominated in:		
RMB	3,030	1,296
USD	24	4,845
EUR	431	2,176
	3,485	8,317

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

16 Financial Instruments By Category

The group holds the following financial instruments:

	Notes	2019 RMB'000	2018 RMB'000
Financial assets			
Financial assets at amortised cost			
Trade and other receivables	14	4,492,347	5,538,623
Cash and cash equivalents	15	8,352,669	6,357,656
Financial assets at fair value through other comprehensive income (FVOCI)	17	784,418	–
Financial assets at fair value through profit or loss (FVPL)	17	860,894	387,262
Derivative financial instruments trading at FVPL	17	85	47,542
		14,490,413	12,331,083
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables	23	4,206,392	4,274,338
Borrowings	20	10,718,806	8,400,201
Lease liabilities *	7	657,265	–
Long-term payables	21	76,095	–
Derivative financial instruments trading at FVPL	17	3,795	3,078
		15,662,353	12,677,617

* See Note 2.2 for details about the impact from changes in accounting policies.

The group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

17 Financial Assets At Fair Value Through Profit Or Loss, Financial Assets At Fair Value Through Other Comprehensive Income And Derivative Financial Instruments

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Financial assets at fair value through profit or loss		
Current assets		
– Structure deposits (a)	860,894	385,861
– Structure financial product (b)	–	1,401
	860,894	387,262
Derivative financial instruments		
Current assets		
– Foreign currency swap contracts (c)	–	44,662
– Forward foreign exchange contracts (d)	85	2,880
	85	47,542
Current Liabilities		
– Foreign currency swap contracts (c)	–	437
– Foreign currency option contracts (e)	3,795	–
– Forward foreign exchange contracts (d)	–	2,641
	3,795	3,078
Financial assets at fair value through other comprehensive income		
Current assets		
Note Receivable at fair value through other comprehensive Income (f)	784,418	–

- (a) As at 31 December 2019, the Group has 100% principal protected structure deposits of RMB200,000,000 at a floating rate linked to USD-HKD exchange rate. The structure deposits matured on 26 Feb 2020.

As at 31 December 2019, the Group has 100% principal protected structure deposits of RMB650,000,000 at a floating rate linked to USD3M-LIBOR. The structure deposits matured between 6 Jan 2020 to 16 Jan 2020.

As at 31 December 2018, the Group has 100% principal protected structure deposits of RMB200,000,000 at a floating rate linked to USD-HKD exchange rate, RMB185,000,000 at a floating rate linked to USD3M-LIBOR, respectively. The structure deposits matured between 13 May 2019 and 21 June 2019.

- (b) As at 31 December 2018, the Group has 100% principal protected structure investment with earnings linked to JP Morgan Mozaic Weekly index. The product matured on 16 Aug 2019.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

17 Financial Assets At Fair Value Through Profit Or Loss, Financial Assets At Fair Value Through Other Comprehensive Income And Derivative Financial Instruments (Continued)

- (c) As at 31 December 2019, the Group has no outstanding currency swap contracts to buy USD for RMB (As at 31 December 2018: buy USD198,000,000 for RMB1,323,982,000, the currency swap contracts were settled in 2019).
- (d) As at 31 December 2019, the Group has outstanding forward foreign currency exchange contracts to buy USD668,000 for GBP 500,000 (As at 31 December 2018: buy RMB617,386,000 for USD90,000,000, the forward foreign currency exchange contracts were settled in 2019).
- (e) As at 31 December 2019, the contractual principal amount of selling call options(buy RMB for USD) that have not due yet is USD60,000,000 (As at 31 December 2018: Nil).

Derivatives are classified as held for trading for accounting purpose above and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are excepted to settle with in 12 months after the end of the reporting period.

For information about the methods and assumptions used in determining the fair value of financial assets at fair value through profit or loss and derivatives please refer to Note 3.3.

- (f) In 2019, the Group settle payments with more suppliers using endorsement of bank acceptance bills, and the Group discounted and terminated part of bank acceptance notes according to its daily fund management needs. Therefore, the Group classified and listed bank acceptance notes as financial asset at fair value through other comprehensive income at the end of the year (At the end of 2018, the Group kept certain bank acceptance notes in order that the subsidiaries obtain certain pledged notes quota from commercial banks and acquire the bank acceptance notes to settle the payment. These bank acceptance notes are mostly held due to collect contractual cash flow, so they are treated as financial assets measured at amortised cost and reported as trade and other receivables).

18 Share Capital

Ordinary shares, issued and fully paid:

	As at 31 December				Total share capital RMB'000
	Number of A shares Thousands	Number of H shares Thousands	A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	
At 31 December 2018 and 31 December 2019	2,002,986	505,632	2,002,986	505,632	2,508,618

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

19 Share Premium , Other Reserves And Retained Earnings

	Share premium RMB'000	Retained Earnings RMB'000	Statutory reserves RMB'000	Other reserves		Total RMB'000
				Currency translation differences RMB'000	Capital reserve RMB'000	
Balance at 1 January 2018	6,202,553	8,365,640	1,912,822	(204,409)	21,580	1,729,993
Appropriation to statutory reserves (a)	–	(437,540)	437,540	–	–	437,540
Profit for the year	–	4,119,935	–	–	–	–
Dividends	–	(2,884,910)	–	–	–	–
Currency translation differences	–	–	–	162,934	–	162,934
Others	–	–	–	–	(1,055)	(1,055)
At 31 December 2018	6,202,553	9,163,125	2,350,362	(41,475)	20,525	2,329,412
Balance at 31 December 2018	6,202,553	9,163,125	2,350,362	(41,475)	20,525	2,329,412
Appropriate to statutory reserves (a)	–	(338,598)	338,598	–	–	338,598
Profit for the year	–	2,897,868	–	–	–	–
Dividends	–	(1,881,463)	–	–	–	–
Currency translation differences	–	–	–	162,490	–	162,490
At 31 December 2019	6,202,553	9,840,932	2,688,960	121,015	20,525	2,830,500

- (a) In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

20 Borrowings

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current:		
– Bank borrowings – unsecured	2,227,206	1,750,875
– Corporate bond (b)	–	799,515
Less: current portion of non-current borrowings	<u>(1,034,206)</u>	<u>(1,303,515)</u>
	<u>1,193,000</u>	1,246,875
Current:		
– Bank borrowings – unsecured	8,491,600	5,218,706
– Bank borrowings – guaranteed(a)	–	330,120
– Commercial papers (c)	–	300,985
Add: current portion of non-current borrowings	<u>1,034,206</u>	<u>1,303,515</u>
	<u>9,525,806</u>	7,153,326
Total borrowings	<u>10,718,806</u>	<u>8,400,201</u>

(a) As at 31 December 2019, the Group's subsidiaries have no bank borrowing (2018: RMB330,120,000) guaranteed by the Company.

(b) Corporate Bond

On 22 July 2016, the Group issued a corporate bond in Shanghai Stock Exchange. Details of the terms of corporate bonds is analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'000)
Note-16 Fuyao 01	2016-7-22	3 years	<u>3.00%</u>	<u>800,000</u>

(c) Commercial paper

From 22 November 2018 to 22 April 2019, the Group issued commercial paper in the PRC. Details of the terms of the commercial paper is analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'000)
Note-18 Fuyao Glass SCP001	2018-11-22	270 days	3.80%	300,000
Note-19 Fuyao Glass SCP001	2019-02-28	270 days	3.20%	500,000
Note-19 Fuyao Glass SCP002	2019-03-12	269 days	3.26%	400,000
Note-19 Fuyao Glass SCP003	2019-04-04	260 days	3.17%	400,000
Note-19 Fuyao Glass SCP004	2019-04-22	249 days	<u>3.20%</u>	<u>400,000</u>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

20 Borrowings (Continued)

- (d) The borrowings are denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings:		
RMB	9,363,671	7,756,591
EUR	1,355,135	–
USD	–	643,610
	10,718,806	8,400,201

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
6 months or less	7,779,756	6,559,701
Between 6 and 12 months	2,939,050	1,840,500
	10,718,806	8,400,201

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 1 year	9,525,806	7,153,326
Between 1 and 2 years	593,000	788,000
Between 2 and 5 years	600,000	458,875
	10,718,806	8,400,201

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

20 Borrowings (Continued)

- (g) The weighted average effective interest rates per annum for the year ended 31 December 2019 were as follows:

	As at 31 December	
	2019	2018
Borrowings:		
RMB	3.42%	3.70%
USD	3.29%	2.87%
EUR	0.61%	0.48%

Interest rates of bank borrowings are reset periodically according to the benchmark rates announced by the People's Bank of China and are denominated in RMB.

- (h) The fair values of current borrowings approximate their carrying amounts as the impact of discounting is not significant. The carrying amount and fair value of non-current borrowings as at each balance sheet date are set out as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Carrying amount	1,193,000	1,246,875
Fair value	1,152,326	1,210,477

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates and are within level 2 of the fair value hierarchy.

- (i) The Group has complied with the financial covenants of its borrowing during the year ended 31 December 2019 and 31 December 2018.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

21 Long-term payables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Payables for proceeds from transfer of mining rights	76,095	—
Less: Current portion of Long-term payables	(3,604)	—
	72,491	—

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

22 Deferred Income On Government Grants

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Current portion	—	47,723
Non-current portion	673,449	489,112
	673,449	536,835

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000
At beginning of the year	536,835	461,595
Government grants received during the year (a)	189,127	104,850
Credited to the consolidated income statements (Note 26)	(52,851)	(30,745)
Currency translation difference	338	1,135
At end of the year	673,449	536,835

- (a) These mainly represented government grants received from certain municipal governments of the PRC as an incentive related to property, plant equipment and land use rights.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

23 Trade And Other Payables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade payables to third parties	1,203,449	1,272,386
Notes payable	860,740	1,164,569
Staff salaries and welfare payables	473,972	483,016
Payables for purchasing of property, plant and equipment	462,128	427,374
Payables for arbitration on claim	274,093	–
Accrued taxes other than income tax	79,440	117,853
Amount due to related parties (Note 38(c))	59,042	57,672
Interests payable	–	30,919
Other payables and accruals	793,528	720,549
	4,206,392	4,274,338

As at 31 December 2019 and 2018, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate to their carrying amounts due to short maturities.

- (a) The Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	3,183,342	3,653,493
USD	754,709	494,109
EUR	218,679	71,838
RBL	38,251	44,515
Other	11,411	10,383
	4,206,392	4,274,338

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 3 months	1,667,991	1,846,402
3 to 6 months	339,815	558,563
6 to 12 months	21,047	12,918
Over 1 year	35,336	19,072
	2,064,189	2,436,955

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

24 Contract Liabilities

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contract liabilities – Automotive glasses sales contracts	695,400	594,503

- (a) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period-automotive glasses sales contracts	207,027	134,438
Revenue recognised from performance obligations satisfied in previous periods	–	–

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 Revenue And Cost Of Sales

- (a) Revenue and cost of sales by product

	Year ended 31 December			
	2019		2018	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Automobile glasses	18,957,337	12,540,656	19,351,889	12,543,980
Float glasses	3,644,798	2,421,573	3,220,524	1,942,757
Others	1,903,485	1,838,824	573,463	262,616
	24,505,620	16,801,053	23,145,876	14,749,353
Less: Intra-Group sales	(3,401,742)	(3,401,742)	(2,920,890)	(2,920,890)
	21,103,878	13,399,311	20,224,986	11,828,463

- (b) Revenue by geographical areas

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
The PRC	10,809,575	11,825,655
–Domestic OEM	9,554,837	11,027,088
Other countries	10,294,303	8,399,331
	21,103,878	20,224,986

- (c) As at 31 December 2019, the Group had no other assets recognised in relation to costs to fulfil contracts.
- (d) During the year ended 31 December 2019, in addition to RMB16,867,000 rental income, the Group derives revenue from the transfer of goods at a point in time.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

26 Other Income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Government grants		
–relating to income (a)	128,903	116,005
–relating to assets (Note 22)	52,851	30,745
	181,754	146,750

- (a) Governments grants received during the year primarily comprised the financial subsidies received from various local government authorities in the PRC. There are no unfulfilled conditions or contingencies relating to these governments grants.

27 Other Gains – Net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net foreign exchange gains	135,764	258,516
Gains on disposals of subsidiaries	–	664,033
Loss on disposals of intangible assets (Note 34(b))	–	(3,415)
Gains on financial assets at fair value through profit or loss and derivative financial instruments	98,833	35,254
Loss on disposals of note receivable at fair value through other comprehensive income	(10,432)	–
Changes in fair value of financial assets	(35,748)	63,893
Loss on disposal of property, plant and equipment (Note 34(b))	(9,277)	(59,883)
Donation	(732)	(1,563)
Net (loss)/gain on claim(a)	(177,337)	53,228
Others	6,804	(233)
	7,875	1,009,830

- (a) Fuyao Glass Illinois Inc., a subsidiary of the Group, was accused of violating the exclusive sales agreement. After final ruling by the International Court of Arbitration, it was required to pay claimants compensation and bear the expenses of the International Arbitration Court totaling USD39,290,000, and terminate the exclusive sales agreement. Fuyao Glass Illinois Inc. paid the above amount in January 2020.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

28 Expenses By Nature

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Raw materials and consumables used	6,461,684	6,279,849
Changes in inventories of finished goods and work in progress	(60,928)	(212,644)
Employee benefit expenses (Note 29)	4,463,949	3,879,206
Depreciation of property, plant and equipment (Note 6)	1,947,304	1,630,757
Utilities	1,766,319	1,567,158
Transportation and storage expenses	635,656	661,881
Packing expenses	408,600	398,627
Taxes and levies	204,783	216,552
Repair and maintenance fee	229,076	248,796
Inventory scrap loss	106,024	99,643
Depreciation of rights of use assets (Note 7)	107,566	–
After-sale service costs	70,619	97,841
Fire safety and environmental protection expenses	88,490	78,807
Travel expenses	81,236	82,522
Insurance expenses	100,060	77,782
Amortisation of intangible assets (Note 9)	50,876	26,025
Amortisation of land use rights (Note 8)	24,977	24,243
Operating lease expenses (Note 7)	76,608	77,634
Amortisation of long-term prepaid rental expenses	–	6,696
Auditor's remuneration		
– Audit services	5,736	5,472
– Non-audit services	903	5,034
Write-down of inventories to the net realisable value (Note 13)	3,940	22,336
Others	1,114,753	980,957
	17,888,231	16,255,174

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

29 Employee Benefit Expenses (Including Directors, Supervisors And Senior Management's Emoluments)

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	3,682,377	3,189,170
Pension, housing fund, medical insurance and other social insurance	673,022	577,997
Others	108,550	112,039
	4,463,949	3,879,206

(a) Pensions – defined contribution plans

Contributions totalling RMB6,314,000 (2018: RMB4,724,000) were payable to the fund at the year-end.

(b) Five highest paid individual

The five individuals whose emoluments were the highest in the Group for the year include two (2018: two) directors and supervisors whose emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	9,741	8,200
Pension, housing fund, medical insurance and other social insurance	319	318
Others	435	423
	10,495	8,941

The emoluments fell within the following bands:

Emoluments bands	Year ended 31 December	
	2019	2018
HKD2,000,001 to HKD2,500,000	–	–
HKD2,500,001 to HKD3,000,000	–	1
HKD3,000,001 to HKD3,500,000	2	1
HKD3,500,001 to HKD4,000,000	–	–
HKD4,000,001 to HKD4,500,000	–	1
HKD4,500,001 to HKD5,000,000	–	–
HKD5,000,001 to HKD5,500,000	1	–
	3	3

During the year, no director, supervisor or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

30 Finance Costs – Net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Finance income:		
Interest income	(284,421)	(236,034)
Finance cost:		
Interest on borrowings	446,600	406,564
Interest on lease liabilities	13,913	–
Less: borrowing costs capitalised (<i>Note 6</i>)	(28,457)	(31,104)
Interest expense on borrowings	432,056	375,460
Amortisation of transaction costs in respect of issuance of corporate bond, medium note and commercial papers	624	770
	432,680	376,230
Finance costs – net	148,259	140,196

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31 Income Tax Expense

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax	597,669	724,349
Deferred income tax (Note 12)	(264,713)	130,839
Income tax expense	332,956	855,188

(a) PRC corporate income tax

The corporate income tax ("CIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC and the applicable tax rate in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

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

(b) Hong Kong profits tax

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

(c) United States of America profits tax

Profit tax has been provided for at the rates of 24% for certain subsidiary of the Group on the estimated assessable profit during the year. Applicable profit tax rates of the Group's other subsidiaries in the United States of America are 25.40% and 27%, during the year ended 31 December 2019, no profit tax has been provided due to the unutilised tax losses (2018:Nil).

(d) Russia profits tax

Applicable profit tax rate of Russia is 20%. During the year ended 31 December 2019, 50% of the estimated taxable profit for the current year is used to make up for the accumulated loss, and the remaining 50% is subject to income tax of applicable profit tax rate (2018:Nil).

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31 Income Tax Expense (Continued)

(e) Germany profits tax

Applicable profit tax rate of Germany is 28.43% and 28.78%. During the year ended 31 December 2019, no profit tax has been provided due to accumulated losses (2018:Nil).

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before tax	3,230,573	4,961,808
Tax calculated at the applicable income tax rate	910,131	1,339,184
Tax effect of:		
Preferential income tax rate	(427,495)	(461,043)
Expenses not deductible for tax purpose	1,405	1,410
Income not subject to income tax	1,344	(1,013)
Unrecognised tax losses carried forward	123,480	110,478
Utilisation of previously unrecognised tax losses	(15,586)	(106,431)
Recognition of previously unrecognised tax losses	(214,180)	-
Utilisation of previously unrecognised deductible temporary differences	(2,528)	-
Withholding taxation on unremitted earnings of certain subsidiaries	13,215	7,286
Others	(56,830)	(34,683)
Income tax expense	332,956	855,188

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32 Earnings Per Share

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

	Year ended 31 December	
	2019	2018
Net profit attributable to the equity holders of the Company (RMB'000)	2,897,868	4,119,935
Weighted average number of ordinary shares in issue (thousand)	2,508,618	2,508,618
Basic earnings per share (RMB)	1.16	1.64

- (b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential shares existed during the year.

33 Dividends

The dividends paid in 2019 and 2018 were RMB1,881,463,000 (RMB1,881,463,000 of 2018 final) and RMB2,884,910,000 (RMB1,881,463,000 of 2017 final and RMB1,003,447,000 of 2018 interim), respectively. On 27 April 2020, the board of directors of the the Company proposed to distribute a dividend of RMB1,881,463,000 at a retained earnings of RMB7.5 per 10 shares (tax inclusive) as at 31 December 2019. This dividend payable does not recognised in the financial statement as a liability. The resolution still need to be approved by the shareholder's meeting.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Final dividend of RMB7.5 (2018: RMB7.5) per 10 ordinary shares (tax inclusive)	1,881,463	1,881,463
Interim dividend of nil (2018: RMB4.0) per 10 ordinary shares (tax inclusive)	—	1,003,447
	1,881,463	2,884,910

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

34 Cash Generated From Operations

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit for the year before income tax	3,230,573	4,961,808
Adjustments for:		
Depreciation of property, plant and equipment (Note 6)	1,947,304	1,630,757
Depreciation of right of use assets (Note 7)	107,566	–
Amortisation of land use rights (Note 8)	24,977	24,243
Amortisation of intangible assets (Note 9)	50,876	26,025
Losses on disposals of property, plant and equipment (Note 27)	9,277	59,883
Gains on financial assets at fair value through profit or loss and derivative financial instruments (Note 27)	(98,833)	(35,254)
Gains on disposals of intangible assets (Note 27)	–	3,415
Gains on disposals of a subsidiary (Note 27)	–	(664,033)
Amortisation of deferred income on government grants (Note 22 and 26)	(52,851)	(30,745)
Amortisation of long-term prepaid rental expense	–	6,696
Interest income (Note 30)	(284,421)	(236,034)
Interest expenses (Note 30)	432,680	376,230
Exchange gain on cash and cash equivalents	(108,932)	(253,288)
Share of results of a joint venture and an associate (Note 10)	5,932	(3,744)
Loss allowance for trade and other receivables (Note 3.1)	20,512	28,132
Provision for impairment of inventories (Note 13)	3,940	22,336
Change in fair value of financial assets (Note 27)	35,748	(63,893)
	5,324,348	5,852,534
Changes in working capital:		
Increase in inventories	(42,665)	(237,854)
Increase in trade and other receivables	(261,858)	(340,496)
Increase in trade and other payables	345,701	789,272
Cash generated from operations	5,365,526	6,063,456

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

34 Cash Generated From Operations (Continued)

- (b) In the consolidated cash flow statements, proceeds from disposal of properties, plant and equipment, intangible assets and land-use-right comprise:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net book amount (Note 6 and 9)	50,053	127,060
Loss on disposal (Note 27)	(9,277)	(63,298)
Proceeds from disposal	<u>40,776</u>	<u>63,762</u>

- (c) The major non-cash investing and financing activity in current year is the addition of right-of-use assets.

- (d) Net debt reconciliation

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	8,352,669	6,357,656
Financial assets at fair value through profit or loss	860,894	387,262
Lease liabilities	(657,265)	–
Long-term payables	(76,095)	–
Borrowings – repayable within one year	(9,525,806)	(7,153,326)
Borrowings – repayable after one year	(1,193,000)	(1,246,875)
Net debt	<u>(2,238,603)</u>	<u>(1,655,283)</u>
Cash and cash equivalents	8,352,669	6,357,656
Financial assets at fair value through profit or loss	860,894	387,262
Gross debt – fixed interest rates	(9,222,958)	(5,274,326)
Gross debt – variable interest rates	(2,229,208)	(3,125,875)
Net debt	<u>(2,238,603)</u>	<u>(1,655,283)</u>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

34 Cash Generated From Operations (Continued)

(d) Net debt reconciliation(Continued)

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Borrow due within one year RMB'000	Borrow due after one year RMB'000	Lease liabilities RMB'000	Long-term payables RMB'000	Total RMB'000
Net debt as at 31 December 2018	6,357,656	387,262	(7,153,326)	(1,246,875)	-	-	(1,655,283)
Recognised on adoption of IFRS 16 (see Note 2.2)	-	-	-	-	(211,053)	-	(211,053)
Net debt as at 1 January 2019	6,357,656	387,262	(7,153,326)	(1,246,875)	(211,053)	-	(1,866,336)
Cash flows	1,886,081	465,000	(3,372,683)	1,092,339	85,809	26,280	182,826
Acquisition – leases and long-term payable	-	-	-	-	(521,942)	(100,266)	(622,208)
Reclassification	-	-	1,034,206	(1,034,206)	-	-	-
Other changes	-	8,687	-	-	(9,248)	(2,109)	(2,670)
Foreign exchange adjustments	108,932	(55)	(34,003)	(4,258)	(831)	-	69,785
Net debt as at 31 December 2019	<u>8,352,669</u>	<u>860,894</u>	<u>(9,525,806)</u>	<u>(1,193,000)</u>	<u>(657,265)</u>	<u>(76,095)</u>	<u>(2,238,603)</u>

35 Contingencies

As at 31 December 2019, the Group did not have any significant contingent liabilities.

36 Commitments

(a) Capital commitments

As at 31 December 2019, capital expenditure contracted for, but not yet incurred is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Authorised and contracted for:		
– Property, plant and equipment	<u>1,206,793</u>	<u>1,330,914</u>
Authorised but not contracted for:		
– Property, plant and equipment	<u>1,341,318</u>	<u>1,802,956</u>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

36 Commitments (Continued)

(b) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2019	2018
	RMB'000	<i>RMB'000</i>
No later than 1 year	17,877	45,363
Later than 1 year and no later than 5 year	–	127,778
Later than 5 year	–	222,045
	17,877	395,186

37 Business Combination

(a) Jiangsu Fuyao Automotive Trim System Co., Ltd.

On 18 March 2019, Fujian Fuyao Automotive Trim System Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% of the equity interests in Jiangsu Fuyao Automotive Trim System Co., Ltd., a manufacturer of production and sales of automotive decorations and automotive parts. The acquisition has improved the Group's industry chain and build up systematic industrial advantage.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	<i>RMB'000</i>
Purchase consideration (refer to (ii) below):	
Cash paid	<u>66,000</u>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Business Combination (Continued)

(a) Jiangsu Fuyao Automotive Trim System Co., Ltd. (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	45,686
Other current assets	79
Property, plant and equipment	19,002
	<hr/>
Net identifiable assets acquired	64,767
Less: non-controlling interests	–
Add: goodwill	1,233
	<hr/>
Net assets acquired	<u>66,000</u>

The goodwill is attributable to the expected synergies after the acquisition. It will not be deductible for tax purposes.

(i) Revenue and profit contribution

The acquired business brought net loss of RMB2,563,000 to the Group for the period from 18 March to 31 December 2019.

If the acquisition had occurred on 1 January 2019, profit for the year ended 31 December 2019 would have been RMB2,897,599,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Business Combination(Continued)

(a) Jiangsu Fuyao Automotive Trim System Co., Ltd. (continued)

(ii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired
Cash consideration

Less: Balances acquired – Cash

Net outflow of cash – investing activities

2019 RMB'000
66,000
(45,686)
20,314

(iii) Acquisition-related costs

Acquisition-related costs were mainly appraiser and audit fee that are included in administrative expenses in profit or loss and in operating cash flows in the statement of cash flows which is not material.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38 Related Party Transactions

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2019 and 2018, and balances arising from related party transactions as at 31 December 2019 and 2018.

(a) Name and relationship with related parties

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38 Related Party Transactions (Continued)

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

(i) Sales of goods

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	3,072	3,589
Jinken Glass Industry Shuangliao Co., Ltd.	2,297	1,454
	5,369	5,043

(ii) Purchase of goods

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	152,086	163,382
Tri-Wall Packaging (Fuzhou) Co., Ltd.	74,889	94,173
Fuyao Group Beijing Futong Safety Glass CO., Ltd.	2,378	–
	229,353	257,555

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38 Related Party Transactions (Continued)

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

(iii) Rental income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Tri-Wall Packaging (Fuzhou) Co.,Ltd.	<u>66</u>	<u>60</u>

(iv) Rental expenses

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	-	22,457
Global Cosmos German Co., Ltd. *	-	19,069
	<u>-</u>	<u>41,526</u>

(v) Increased rights of use assets as a lessee

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Global Cosmos German Co., Ltd. *	227,450	-
Fujian Yaohua Industrial Village Development Co., Ltd.*	81,708	-
	<u>309,158</u>	<u>-</u>

(vi) Increased interest on lease liabilities as a lessee

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	2,527	-
Global Cosmos German Co., Ltd. *	2,507	-
	<u>5,034</u>	<u>-</u>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38 Related Party Transactions (Continued)

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

(vii) Key management compensation

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	28,046	23,662
Pension, housing fund, medical insurance and other social insurance	914	931
Others	719	691
	29,679	25,284

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

(c) Balances with related parties

Amount due from related parties

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Other receivables (i)	182,681	253,297
Prepayments (ii)	42,965	49,498
	225,646	302,795

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38 Related Party Transactions (Continued)

(c) Balances with related parties (continued)

(i) Other receivables:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	182,439	192,973
Tri-Wall Packaging (Fuzhou) Co., Ltd.	242	315
Global Cosmos German Co., Ltd.	—	60,009
	182,681	253,297

(ii) Prepayment:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	42,965	49,498

Amount due to related parties

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade payables (iii)	33,131	28,395
Other payables (iv)	25,911	29,277
	59,042	57,672

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38 Related Party Transactions (Continued)

(c) Balances with related parties (continued)

(iii) Trade payables:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	21,759	18,416
Tri-Wall Packaging (Fuzhou) Co., Ltd.	11,372	9,979
	<u>33,131</u>	<u>28,395</u>

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
– Within 3 months	<u>33,131</u>	<u>28,395</u>

(iv) Other payables to related parties:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	25,555	29,274
Global Cosmos German Co., Ltd.	356	–
Jinken Glass Industry Shuangliao Co., Ltd.	–	3
	<u>25,911</u>	<u>29,277</u>

(v) Lease liabilities to related parties:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Global Cosmos German Co., Ltd.	169,264	–
Fujian Yaohua Industrial Village Development Co., Ltd.	55,725	–
	<u>224,989</u>	<u>–</u>

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

39 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2019 are set out below:

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao (Hong Kong) Limited (福耀(香港)有限公司)	-	Hong Kong, December 1994	USD49,739	100%	Direct	Investment holding company
Fuyao Group (Hongkong) Limited (福耀集團(香港)有限公司)	-	Hong Kong, January 2010	USD1,000	100%	Direct	Sales of automobile glass
Yung Tak Investment Limited (融德投資有限公司)	-	Hong Kong, May 1993	HKD100	100%	Indirect	Property lease
Meadland Limited (Meadland Limited)	-	Hong Kong, December 1998	USD8,200	100%	Indirect	Investment holding company
Fuyao North America Incorporated (福耀北美玻璃工業有限公司)	-	U.S.A., August 2001	USD8,000	100%	Direct	Sales of automobile glass
Fuyao Automotive North America, INC. (福耀玻璃配套北美有限公司)	-	U.S.A., June 2008	USD70,000	100%	Direct	Automotive glass accessories installation and sales
Fuyao Group Korea Co., Ltd. (福耀集團韓國株式會社)	-	Korea, September 2007	KRW 500,000	100%	Direct	Sales of automobile glass
Fuyao Japan Co., Ltd. (福耀日本株式會社)	-	Japan, July 2008	JPY 300,000	100%	Direct	Sales of automobile glass
Fuyao Europe GmbH (福耀歐洲玻璃工業有限公司)	-	Germany, June 2007	EUR 25	100%	Indirect	Automotive glass accessories installation and sales
Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd. (福耀集團(福建)機械製造有限公司)	Limited liability	PRC, March, 1994	RMB34,000	100%	Direct	Machinery Manufacturing
Fujian Wanda Automobile Glass Industry Co., Ltd. (福建省萬達汽車玻璃工業有限公司)	Limited liability	PRC, July 1994	RMB745,150	100%	Direct	Production and sales of automobile glass
Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司)	Limited Liability	PRC, September 2000	RMB300,000	100%	Direct	Production and sales of automobile glass
Chongqing Wansheng Fuyao Glass Co., Ltd (重慶萬盛福耀玻璃有限公司)	Limited liability	PRC, July 2002	RMB80,000	100%	Direct	Production and sales of automobile glass
Fuyao Group Shanghai Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司)	Limited liability	PRC, April 2002	USD68,049	100%	Direct	Production and sales of automobile glass

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

39 Subsidiaries (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2019 are set out below: (continued)

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Shanghai Fuyao Bus Glass Co., Ltd. (上海福耀客車玻璃有限公司)	Limited liability	PRC, March 2007	RMB200,000	100%	Indirect	Production of special glass and high class bus glass
FYSAM Auto Decorative Gmbh (FYSAM汽車飾件有限公司)	-	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts
FYSAM Automotive International Gmbh (FYSAM汽車飾件國際有限公司)	-	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts
FYSAM Auto Decorative Germany Gmbh (FYSAM汽車飾件(德國)有限公司)	-	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts
Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司)	Limited liability	PRC, November 2007	USD30,000	100%	Direct	Production and sales of automobile glass
Fuyao Group Tongliao Co., Ltd. (福耀集團通遼有限公司)	Limited liability	PRC, October 2003	RMB500,000	100%	Direct	Production and sales of float glass
Fuyao Group (Fujian) Engineering Glass Co., Ltd. (福耀集團(福建)工程玻璃有限公司)	Limited liability	PRC, October 1996	USD40,000	100%	Indirect	Production and sales of Engineering Glass
Fuyao Glass (Chongqing) Co., Ltd. (福耀玻璃(重慶)有限公司)	Limited liability	PRC, March 2004	USD35,000	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Hubei) Co., Ltd. (福耀玻璃(湖北)有限公司)	Limited liability	PRC, November 2007	USD43,000	100%	Direct	Production and sales of automobile glass
Guangzhou Fuyao Glass Co., Ltd. (廣州福耀玻璃有限公司)	Limited liability	PRC, June 2006	USD75,000	100%	Indirect	Production and sales of automobile glass
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (海南文昌福耀矽砂有限公司)	Limited liability	PRC, July 2006	RMB40,000	100%	Direct	Exploitation and sales of mineral
Fuyao Guangzhou Nansha Automotive Glass Co., Ltd. (廣州南沙福耀汽車玻璃有限公司)	Limited liability	PRC, November 2005	USD700	100%	Indirect	Provision of warehousing services
Fuyao (Changchun) Bus Glass Co., Ltd. (福耀(長春)巴士玻璃有限公司)	Limited liability	PRC, January 2004	USD4,850	100%	Indirect	Production and sales of automobile glass
Chongqing Wansheng Float Glass Co., Ltd. (重慶萬盛浮法玻璃有限公司)	Limited liability	PRC, April 2009	RMB300,000	100%	Direct	Production and sales of float glass
Zhengzhou Fuyao Glass Co., Ltd. (鄭州福耀玻璃有限公司)	Limited liability	PRC, April 2011	RMB300,000	100%	Direct	Production and sales of automobile glass

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

39 Subsidiaries (CONTINUED)

Particulars of the subsidiaries of the Group as at 31 December 2019 are set out below: (continued)

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuzhou Fuyao Mould Technology Co., Ltd. (福州福耀模具科技有限公司)	Limited liability	PRC, May 2013	RMB300,000	100%	Indirect	Production and sales of mold, automotive parts, fibre products and plastic products
Fujian Triplex Group Holdings Co., Ltd. (福建三鋒控股集團有限公司)	Limited liability	PRC, November 2015	RMB100,000	100%	Indirect	Research, development, production and sales of glass and mold
Fujian Fuyao Automotive Trim System Co., Ltd. (福建福耀汽車飾件有限公司)	Limited liability	PRC, July 2015	RMB300,000	100%	Indirect	Production and sales of automotive decorations and automotive parts
Fujian Triplex Automobile Servin Co., Ltd. (福建三鋒汽車服務有限公司)	Limited liability	PRC, February 2016	RMB100,000	60%	Indirect	Provider of car service
Fuyao (Xiamen) Precision Corp. (福耀(廈門)精密製造有限公司)	Limited liability	PRC, June 2003	USD15,000	78%	Indirect	Production and sales of mold, automotive parts and plastic products
Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司)	Limited liability	PRC, March 2012	RMB10,000	100%	Indirect	Installation of automotive glass accessories
Xupu Fuyao Silica Sand Co., Ltd. (溱浦福耀矽砂有限公司)	Limited liability	PRC, July 2012	RMB15,000	51%	Indirect	Exploitation and sales of mineral
Fuyao Group (Shenyang) Automotive Glass Co., Ltd. (福耀集團(瀋陽)汽車玻璃有限公司)	Limited liability	PRC, June 2012	RMB150,000	100%	Direct	Production and sales of automobile glass
Fuyao Glass Rus Co., Ltd. (福耀玻璃俄羅斯有限公司)	-	Russia, April 2010	USD110,656	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Suzhou) Co., Ltd. (福耀玻璃(蘇州)有限公司)	Limited liability	PRC, March 2017	RMB400,000	100%	Direct	Production and sales of automobile glass
Fuyao Group International Holdings Co., Ltd. (福耀國際控股有限公司)	Limited liability	PRC, September 2017	RMB50,000	100%	Direct	Investment holding company
Chengdu Lvrong Automotive Glass Co., Ltd. (成都綠榕汽車玻璃有限公司)	Limited liability	PRC, December 2012	RMB25,000	100%	Indirect	Installation of automotive glass accessories
Yantai Fuyao Glass Co., Ltd. (煙臺福耀玻璃有限公司)	Limited liability	PRC, June 2013	RMB60,000	100%	Indirect	Installation of automotive glass accessories
Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司)	Limited liability	PRC, July 2013	RMB30,000	100%	Indirect	Installation of automotive glass accessories
Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司)	Limited liability	PRC, September 2013	RMB20,000	100%	Indirect	Installation of automotive glass accessories
Benxi Fuyao Silica Sand Co., Ltd. (本溪福耀矽砂有限公司)	Limited liability	PRC, May 2014	RM60,000	100%	Indirect	Exploitation and sales of mineral

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

39 Subsidiaries (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2019 are set out below: (continued)

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao Glass America Inc. (福耀玻璃美國有限公司)	-	U.S.A., March 2014	USD330,000	100%	Direct	Production and sales of automobile glass
Fuyao Asset Management A, LLC (福耀美國A資產公司)	-	U.S.A., November 2013	USD0.8	100%	Indirect	Property lease
Fuyao Glass Illinois Inc. (福耀玻璃伊利諾伊有限公司)	-	U.S.A., August 2014	USD1.0	100%	Indirect	Production and sales of float glass
Fuyao Asset Management C, LLC (福耀美國C資產公司)	-	U.S.A., August 2014	USD0.8	100%	Indirect	Property lease
FYSAM Auto Decorative Slovakia s.r.o. (FYSAM汽車飾件(斯洛伐克)有限公司)	-	SK, March 2018	EUR 50	100%	Indirect	Production and sales of automotive decorations and automotive parts
FYSAM Auto Decorative de Mexico S. de R.L.- de C.V. (FYSAM汽車飾件(墨西哥)有限公司)	-	MX, December 2010	Mex 3	100%	Indirect	Production and sales of automotive decorations and automotive parts
Tianjin Hongde Auto Glass Co., Ltd. (天津泓德汽車玻璃有限公司)	Limited liability	PRC, May 2015	RMB400,000	100%	Direct	Production and sales of automobile glass
Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司)	Limited liability	PRC, December 2016	RMB500,000	100%	Direct	Production and sales of float glass

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

39 Subsidiaries (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2019 are set out below: (continued)

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao (Tongliao) Refined Aluminium Co., Ltd. (福耀(通遼)精鋁有限責任公司)	Limited liability	PRC, November 2018	RMB10,000	100%	Direct	Production and sales of refined aluminium
JiangSu Fuyao Automotive Trim System Co., Ltd. (江蘇福耀汽車飾件有限公司)(a)	Limited liability	PRC, May 2017	RMB250,000	100%	Indirect	Production and sales of automotive decorations and automotive parts
Fujian Fuyao Automotive Aluminium System Co., Ltd. (福耀汽車鋁件(福建)有限公司)(b)	Limited liability	PRC, February 2019	RMB150,000	100%	Direct	Production and sales of refined aluminium
Fuyao Technology Development (Suzhou) Co., Ltd. (福耀科技發展(蘇州)有限公司)(c)	Limited liability	PRC, August 2019	RMB50,000	100%	Indirect	R & D, technology transfer, technical services and technology promotion

Notes:

- (a) On 15 March 2019, Fujian Fuyao Automotive Decorations Co., Ltd. purchased JiangSu Fuyao Automotive Trim System Co., Ltd., with consideration of RMB66,000,000. The registered capital of JiangSu Fuyao Automotive Trim System Co., Ltd. is RMB250,000,000. As of 31 December 2019, the registered capital has not been fully paid.
- (b) On 1 February 2019, the parent company established Fujian Fuyao Automotive Aluminium System Co., Ltd. with registered capital of RMB150,000,000. As of 31 December 2019, the registered capital has not been fully paid.
- (c) On 15 August 2019, Fuyao Glass (Suzhou) Co., Ltd. established Fuyao Technology Development (Suzhou) Co., Ltd., with registered capital of RMB50,000,000. As of 31 December 2019, the registered capital has not been fully paid.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40 Events Occurring After The Reporting Period

- (a) On 13 January 2020, the company publicly issued the first period of 2020 ultra short-term financing bonds (referred to as "20 Fuyao Glass SCP001") in the national inter-bank market and the ultra short-term financing bonds code is 012000140. The total issuance of "20 Fuyao Glass SCP001" is RMB300,000,000, the term is 180 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 3.03% (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 15 January 2020, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repay bank loans.
- (b) On 13 February 2020, the company publicly issued the second phase of 2020 ultra short-term financing bonds (referred to as "20 Fuyao Glass SCP002") in the national inter-bank market and the ultra short-term financing bonds code is 012000369. The total issuance of "20 Fuyao Glass SCP002" is RMB600,000,000, the term is 270 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.84% (annual interest rate), the main underwriter is Industrial Bank Co., Ltd. (興業銀行股份有限公司), and the value date is 14 February 2020, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to supplement working capital.
- (c) On 13 February 2020, the company publicly issued the first 2020 medium-term notes (outbreak prevention and control bonds) MTN001" in the national inter-bank market (referred to as "20 Fuyao (outbreak prevention and control bonds) MTN001"), and the medium-term note code is 102000118. The total issuance of "20 Fuyao (outbreak prevention and control bonds) MTN001" is RMB600,000,000, the term is 3 years, each face value is 100 yuan, the coupon rate is 3.19% (annual interest rate). The main underwriter is Bank of China Co., Ltd. (中國銀行股份有限公司), and the raised funds have been received on 17 February 2020. The main purposes of the funds raised in the current period of medium-term notes are: (1) RMB500,000,000 to repay bank borrowings; (2) RMB40,000,000 to supplement working capital; (3) RMB60,000,000 to supplement the working capital requirements related to combating the COVID-19.
- (d) On 9 March 2020, the company publicly issued the third phase of 2020 ultra short-term financing bonds (referred to as "20 Fuyao Glass SCP003") in the national inter-bank market and the ultra short-term financing bonds code is 012000760. The total issuance is RMB400,000,000, the term is 268 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.60% (annual interest rate), the main underwriter is Industrial Bank Co., Ltd. (興業銀行股份有限公司), and the value date is 11 March 2020, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to supplement working capital.
- (e) On 18 March 2020, the company publicly issued the fourth phase of 2020 ultra short-term financing bonds (referred to as "20 Fuyao Glass SCP004") in the national inter-bank market and the ultra short-term financing bonds code is 012000939. The total issuance is RMB200,000,000, the term is 270 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.55% (annual interest rate), the main underwriter is the Export-Import Bank of China (中國進出口銀行), and the value date is 20 March 2020, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repay bank loans.
- (f) On 20 April 2020, the company publicly issued the second 2020 medium-term notes in the national inter-bank market (referred to as "20 Fuyao Glass MTN002"), and the medium-term note code is 102000763. The total issuance of "20 Fuyao Glass MTN002" is RMB600,000,000, the term is 3 years, each face value is 100 yuan, the coupon rate is 2.75% (annual interest rate). The main underwriter is Bank of China Co., Ltd. (中國銀行股份有限公司), and the raised funds have been received on 22 April 2020. The main purposes of the funds raised in the current period of medium-term notes are to repay bank borrowings and supplement working capital.
- (g) According to the ninth board resolution of the fourteenth session on 27 April 2020, the "2019 Profit Distribution Plan" was considered and approved. The Board of Directors proposed that the company distribute dividends to all shareholders, and pay a cash dividend of RMB7.5 (including tax) for every 10 shares, and a total dividend of RMB1,881,463,000, which was not recognised as a liability in this financial statement. The above proposal still needs to be submitted to the shareholders' meeting of the company for consideration.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40 Events Occurring After The Reporting Period (Continued)

- (h) Affected by the epidemic situation of COVID-19 and related prevention and control measures, some upstream and downstream companies of the Group has postponed resumption of work or suspended production. As a result, the Group's orders and the supply of certain materials, as well as the Group's revenue and gross profit, have been affected. The Group has taken a number of measures to gradually restore production capacity by using the Group's advantages to allocate orders among internal subsidiaries, and actively coordinate production scheduling, supply, and logistics to reduce the impact. However, with the outbreak of the epidemic worldwide, the impact to the Group due to the outbreak is expected to be amplified in the future. The Group will adjust production and operation arrangements in a timely manner in accordance with the epidemic and market changes.

41 Balance Sheet And Reserve Movement Of The Company

- (a) Balance Sheet of the Company

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		767,145	822,348
Right-of-use assets		54,777	–
Land use rights		34,033	35,051
Intangible assets		103,079	88,374
Investments in subsidiaries		6,770,392	6,624,232
Investments in a joint venture		26,189	26,189
Long-term receivables		3,793,548	2,238,295
Deferred income tax assets		8,727	9,332
		11,557,890	9,843,821
Current assets			
Inventories		301,614	425,475
Trade and other receivables		14,492,313	14,268,966
Financial assets at fair value through profit or loss		860,894	387,262
Financial assets at fair value through			
other comprehensive income		661,803	–
Derivative financial instruments		–	47,542
Cash and cash equivalents		6,258,633	6,017,451
		22,575,257	21,146,696
Total assets		34,133,147	30,990,517

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

41 Balance Sheet And Reserve Movement Of The Company (Continued)

(a) Balance Sheet of the Company (continued)

		As at 31 December	
	Note	2019 RMB'000	2018 RMB'000
EQUITY			
Share capital		2,508,618	2,508,618
Share premium		6,202,553	6,202,553
Other reserves	(Note(b))	2,688,960	2,350,362
Retained earnings	(Note(b))	6,241,590	5,078,937
Total equity		17,641,721	16,140,470
LIABILITIES			
Non-current liabilities			
Borrowings		1,193,000	1,177,000
Lease liabilities		28,469	–
Deferred income tax liabilities		105,800	105,631
Deferred income on government grants		18,346	13,317
		1,345,615	1,295,948
Current liabilities			
Trade and other payables		11,792,425	9,458,585
Contract liabilities		56,212	200,064
Current income tax liabilities		132,240	112,639
Borrowings		3,133,662	3,767,990
Derivative financial instruments		3,795	3,078
Current portion of Lease liabilities		27,477	–
Current portion of deferred income on government grants		–	11,743
		15,145,811	13,554,099
Total liabilities		16,491,426	14,850,047
Total equity and liabilities		34,133,147	30,990,517

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

41 Balance Sheet And Reserve Movement Of The Company (Continued)

(b) Reserve movement of the Company

	Retained earnings <i>RMB'000</i>	Other reserves <i>RMB'000</i>
Balance at 1 January 2018	4,023,287	1,912,822
Profit for the year	4,378,100	–
Appropriation to statutory reserve	(437,540)	437,540
Dividends relating to 2017 and 2018	(2,884,910)	–
At 31 December 2018	5,078,937	2,350,362
Balance at 31 December 2018	5,078,937	2,350,362
Profit for the year	3,382,714	–
Appropriation to statutory reserve	(338,598)	338,598
Dividends relating to 2018	(1,881,463)	–
At 31 December 2019	6,241,590	2,688,960

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

42 Benefits And Interests Of Directors And Supervisors

Directors and supervisors' emoluments

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2019 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
Executive directors					
Mr. Cho Tak Wong	–	1,506	–	280	1,786
Mr. Chen Xiangming	–	2,343	67	–	2,410
Mr. Ye Shu	–	2,763	101	4	2,868
Ms. Sun Yiqun (i)	–	2,169	152	–	2,321
Non-executive directors					
Mr. Cao Hui	–	1,446	49	–	1,495
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Zhang Jiewen	264	–	–	–	264
Mr. Liu Jing	25	–	–	–	25
Mr. Qu Wenzhou	25	–	–	–	25
Ms. Liu Xiaozhi (ii)	125	–	–	–	125
Mr. Wu Yuhui (ii)	125	–	–	–	125
Supervisors					
Mr. Bai Zhaohua	150	2,182	18	–	2,350
Mr. Chen Mingsen	150	–	–	–	150
Mr. Ma Weihua	25	–	–	–	25
	<u>1,069</u>	<u>12,409</u>	<u>387</u>	<u>284</u>	<u>14,149</u>

Note:

- (i) Ms. Sun Yiqun resigned from executive director on 27 August 2019, Mr. Ye Shu joined as executive director on 30 October 2019.
- (ii) In view of the fact that Ms. Liu Xiaozhi and Mr. Wu Yuhui have been independent non-executive directors for 6 years, Ms. LIU XIAOZHI and Mr. Wu Yuhui resigned from independent non-executive directors on 30 October 2019, Mr. Liu Jing and Mr. Qu Wenzhou joined as independent non-executive directors on 30 October 2019.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

42 Benefits And Interests Of Directors And Supervisors (Continued)

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2018 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
Executive directors					
Mr. Cho Tak Wong	–	2,582	–	267	2,849
Mr. Chen Xiangming	–	1,912	74	–	1,986
Ms. Sun Yiqun	–	2,086	148	–	2,234
Non-executive directors					
Mr. Tso Fai	–	864	57	–	921
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Cheung Kit Man Alison (i)	253	–	–	–	253
Ms. Liu Xiaozhi	150	–	–	–	150
Mr. Wu Yuhui	150	–	–	–	150
Supervisors					
Mr. Bai Zhaohua	63	535	15	–	613
Mr. Chen Mingsen	150	–	–	–	150
Mr. Ni Shiyou	150	–	–	–	150
	<u>1,096</u>	<u>7,979</u>	<u>294</u>	<u>267</u>	<u>9,636</u>

Note:

- (i) Ms. Cheng Yan resigned from independent non-executive director on 8 January 2018, Ms. Cheung Kit Man Alison joined as independent non-executive director on 8 January 2018.

Section XIII Business Performance Highlights for the Previous Five Years

CONSOLIDATED INCOME STATEMENT

Unit: '000 Currency: RMB

Items	For the year ended December 31				
	2019	2018	2017	2016	2015
Revenue	21,103,878	20,224,986	18,715,609	16,621,336	13,573,495
Cost of sales	13,399,311	11,828,463	10,917,999	9,648,615	7,938,515
Gross profit	7,704,567	8,396,523	7,797,610	6,972,721	5,634,980
Distribution costs and selling expenses	1,481,567	1,467,671	1,274,309	1,184,740	1,020,585
Administrative expenses	2,194,223	2,071,318	1,803,411	1,673,626	1,287,869
Research and development expenses	813,130	887,722	803,441	727,586	592,889
Other income	181,754	146,750	188,117	89,542	97,836
Other gains/(loss) – net	7,875	1,009,830	-393,640	493,785	375,797
Net impairment losses on financial assets	20,512	28,132	–	–	–
Operating profit	3,384,764	5,098,260	3,710,926	3,970,096	3,207,270
Finance income	284,421	236,034	156,659	106,576	19,725
Finance costs	432,680	376,230	182,373	157,713	190,512
Finance costs – net	148,259	140,196	25,714	51,137	170,787
Share of net profit of joint venture and associate accounted for using the equity method	-5,932	3,744	-6,017	-112	5,559
Profit before income tax	3,230,573	4,961,808	3,679,195	3,918,847	3,042,042
Income tax expense	332,956	855,188	531,479	776,909	435,226
Profit for the year	2,897,617	4,106,620	3,147,716	3,141,938	2,606,816
Profit is attributable to:					
Owners of the Company	2,897,868	4,119,935	3,148,221	3,143,449	2,604,697
Non-controlling interests	-251	-13,315	-505	-1,511	2,119
Profit for the year	2,897,617	4,106,620	3,147,716	3,141,938	2,606,816
Basic earnings per share	1.16	1.64	1.25	1.25	1.10
Diluted earnings per share	1.16	1.64	1.25	1.25	1.10

CONSOLIDATED BALANCE SHEET

Unit: '000 Currency: RMB

Items	As at December 31				
	2019	2018	2017	2016	2015
Total assets	38,838,517	34,503,241	31,717,365	29,879,729	24,841,632
Total liabilities	17,457,199	14,300,567	12,698,751	11,827,301	8,411,905
Total equity	21,381,318	20,202,674	19,018,614	18,052,428	16,429,727