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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)

ADJUSTMENTS TO THE ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROPERTY LEASES WITH YAOHUA INDUSTRIAL VILLAGE

Reference is made to the announcement of the Company dated October 27, 2015, in relation to the Existing Lease Contract entered into between the Company and Yaohua Industrial Village on October 26, 2015. The Company expects that the original leasing areas for 2017 and 2018 under the Existing Lease Contract will not be able to satisfy the needs of its business development. Therefore, on August 4, 2017, the Company entered into the New Lease Contract with Yaohua Industrial Village to increase the property leasing area by 2,387 square meters located in District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province. Accordingly, the annual caps of the rent payable by the Company to Yaohua Industrial Village for property leases for 2017 and 2018 will be adjusted from RMB21.58 million to RMB21.70 million and RMB22 million, respectively.

Yaohua Industrial Village is indirectly wholly-owned by Mr. Cho Tak Wong, an executive director and the chairman of the Company, and his spouse, Ms. Chan Fung Ying, who is an associate of Mr. Cho Tak Wong and Mr. Tso Fai, a son of Mr. Cho Tak Wong and a non-executive director and the vice chairman of the Company. Yaohua Industrial Village is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions between Yaohua Industrial Village and the Company constitute continuing connected transactions of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions under the Existing Lease Contract and the New Lease Contract shall be aggregated. According to Rule 14A.76 of the Listing Rules, as the highest applicable percentage ratio in respect of the annual caps after adjustments is more than 0.1% but less than 5%, the continuing connected transactions in relation to the property leases between the Company and Yaohua Industrial Village are subject to the reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. BACKGROUND

Reference is made to the announcement of the Company dated October 27, 2015, in relation to the Existing Lease Contract entered into between the Company and Yaohua Industrial Village on October 26, 2015. Pursuant to the Existing Lease Contract, the Company, as the lessee, will lease the warehouse on underground floor 1, the staff cafeteria and club and staff dormitory of Districts I and II and the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province from Yaohua Industrial Village for a term from January 1, 2016 to December 31, 2018. As at the date of this announcement, the total leasing area is 138,281.86 square meters.

For further details regarding the Existing Lease Contract, please refer to the announcement headed “Renewal of the Continuing Connected Transaction under the Lease Contract” of the Company dated October 27, 2015.

II. NEW LEASE CONTRACT

The Company expects that the original property leasing areas for 2017 and 2018 under the Existing Lease Contract will not be able to satisfy the needs of its business development. Therefore, on August 4, 2017, the Company and Yaohua Industrial Village entered into the New Lease Contract in relation to increasing the property leasing area by 2,387 square meters located in District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province.

Principal Terms of the New Lease Contract are set out below:

Parties: (1) Yaohua Industrial Village, as the lessor; and
(2) the Company, as the lessee.

Date: August 4, 2017

Term of lease: September 1, 2017 to December 31, 2018

Principal terms and conditions:

- The Company will lease the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a leasing area of 2,387 square meters from Yaohua Industrial Village. Calculating at RMB13 per square meter per month, the monthly rent shall be RMB31,031.

- If the Company needs to continue the lease upon expiry of the lease term, it shall express its intention of renewing the lease with, and negotiate on and proceed with the renewal formalities with Yaohua Industrial Village 30 days prior to the expiration of the New Lease Contract. The Company has the first right of refusal as to such properties under the equal terms.
- The rent during the lease term shall be settled in two instalments, which consists of (i) the rent for the three months from September 1, 2017 to December 31, 2017 and the six months from January 1, 2018 to June 30, 2018 shall be payable prior to January 15, 2018; and (ii) the rent for the six months from July 1, 2018 to December 31, 2018 payable prior to July 15, 2018.
- Within the term of lease, Yaohua Industrial Village shall bear the property insurance fee of the leased properties while the Company shall be responsible for the internal decoration cost of the leased properties and the public utilities actually incurred in the term of lease.

Pricing principles: The rent per square meter (i.e. RMB13 per square meter per month) under the New Lease Contract remains the same as that under the Existing Lease Contract. In considering the rent for the leased properties, the price had been determined by both parties through negotiation with reference to the prevailing market price of the comparable properties in the place where the leased properties are located.

III. HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

Original Annual Caps and Historical Transaction Amounts

The original annual caps for the three years ending December 31, 2018 under the Existing Lease Contract amounted to RMB21.58 million. For the years ended December 31, 2015 and December 31, 2016 and for the six months ended June 30, 2017, the rent paid to Yaohua Industrial Village by the Company amounted to approximately RMB17.3011 million (audited), approximately RMB20.9256 million (audited) and approximately RMB10.5927 million (unaudited), respectively.

As at the date of this announcement, the rent paid to Yaohua Industrial Village by the Company does not exceed the original annual cap for the year ending December 31, 2017 under the Existing Lease Contract.

Revision of Annual Caps and the Reasons Therefor

The production and sale scale of the Company continue to expand in 2017. For the six months ended June 30, 2017, the Company recorded a revenue of RMB8,713,963,000 (unaudited), representing a year-on-year increase of 14.89%. The Company expects that the original property leasing areas for 2017 and 2018 under the Existing Lease Contract will not be able to satisfy the needs of its business development. Therefore, it needs to increase the area of leased properties.

Based on the aforementioned reason, the annual caps of the rent payable by the Company to Yaohua Industrial Village for property lease for 2017 and 2018 are adjusted to RMB21.70 million and RMB22 million, respectively.

IV. REASONS FOR AND BENEFIT OF THE CONTINUING CONNECTED TRANSACTIONS

The leased properties of the Company leased from Yaohua Industrial Village are adjacent to the principal place of business and the production base of the Company in the PRC. The New Lease Contract entered into between the Company and Yaohua Industrial Village enables the Company to solve the problem of inadequate warehouse space and to establish stable ancillary logistics facilities, which is favorable for the expansion of the Company's production scale and the improvement of liquidity of the Company's assets. Accordingly, the Company will be able to allocate more funds to develop its main businesses and enhance its core competitiveness.

V. IMPLICATIONS UNDER THE LISTING RULES

Yaohua Industrial Village is indirectly wholly-owned by Mr. Cho Tak Wong (an executive director and the chairman of the Company) and his spouse, Ms. Chan Fung Ying, who is an associate of Mr. Cho Tak Wong and Mr. Tso Fai (a non-executive director and the vice chairman of the Company and a son of Mr. Cho Tak Wong). Yaohua Industrial Village is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions between Yaohua Industrial Village and the Company constitute continuing connected transactions of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions under the Existing Lease Contract and New Lease Contract shall be aggregated. According to Rules 14A.76 of the Listing Rules, as the highest applicable percentage ratio in respect of the annual caps after adjustments is more than 0.1% but less than 5%, the continuing connected transactions under the relevant lease contracts are subject to the reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Cho Tak Wong and Mr. Tso Fai have abstained from voting on the resolutions of the Board in relation to approving the continuing connected transactions under the New Lease Contract and the adjusted annual caps of the continuing connected transactions in relation to the property leases between the Company and Yaohua Industrial Village for 2017 and 2018 in accordance with the requirements of the articles of association of the Company. Save as disclosed above, no other Director has any material interest in the transactions contemplated under the New Lease Contract. Therefore, none of the other Directors has abstained from voting on the relevant resolutions of the Board.

Based on the aforementioned reasons, the Directors (including independent non-executive Directors) are of the view that the continuing connected transactions under the New Lease Contract are entered into on normal commercial terms in the ordinary course of business of the Company, the terms of the contract are fair and reasonable and in the interests of the Company and its shareholders as a whole, and the adjusted annual caps of the continuing connected transactions in relation to the property leases between the Company and Yaohua Industrial Village for 2017 and 2018 are fair and reasonable.

VI. GENERAL INFORMATION

The Company is the dominant market leader in China and the only company that specializes in automotive glass production among the world's leading automotive glass manufacturers. Our products are sold in the domestic and overseas OEM and ARG automotive glass markets.

Yaohua Industrial Village was established in May 1992, the main business scope of which includes the development and construction of public infrastructures, industrial land and ancillary facilities for lifestyle services at the northwest of Qishan Village, Honglu Town, Fuqing, and the operation and management of the self-built properties and facilities.

VII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Lease Contract”	the property lease contract entered into between the Company and Yaohua Industrial Village on October 26, 2015 in relation to the lease of properties located at Districts I and II of Fuyao Industrial Zone, Honglu Town, Fuqing, Fujian Province, with a total area of 138,281.86 square metres;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time);
“New Lease Contract”	the property lease contract entered into between the Company and Yaohua Industrial Village on August 4, 2017 in relation to the lease of standard manufacturing plant located at District I of Fuyao Industrial Zone, Honglu Town, Fuqing, Fujian Province, with an area of 2,387 square metres;
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan; and

“Yaohua Industrial Village” Fujian Yaohua Industrial Village Development Co., Ltd., a company incorporated in the PRC with limited liability. It is a connected person of the Company.

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

Fuzhou, Fujian, the PRC, August 5, 2017

As at the date of this announcement, the Board comprises Mr. Cho Tak Wong, Mr. Chen Xiangming and Ms. Sun Yiqun, as executive directors; Mr. Tso Fai, Mr. Wu Shinong and Ms. Zhu Dezhen, as non-executive directors; Ms. Cheng Yan, Ms. Liu Xiaozhi and Mr. Wu Yuhui, as independent non-executive directors.