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)

2017 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 for the year ended December 31, 2017. This announcement, containing the full text of the 2017 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 printed version of the Company's 2017 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 before the end of April 2018.

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

Fuzhou, Fujian, the PRC, March 17, 2018

As at the date of this announcement, the board of directors of the Company comprises Mr. Cho Tak Wong, Mr. Chen Xiangming and Sun Yiqun, as executive directors; Mr. Tso Fai, Mr. Wu Shinong and Ms. Zhu Dezhen, as non-executive directors; Ms. Cheung Kit Man Alison, Ms. Liu Xiaozhi and Mr. Wu Yuhui, 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. All the directors of the Company attended the meeting of the Board of Directors.

III. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) has issued the audit report with unqualified opinions to the Company.

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

V. Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during 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 2017 recorded in the consolidated financial statement, which was prepared in accordance with the China Accounting Standards for Business Enterprises, amounted to RMB3,148,748,043. As audited by PricewaterhouseCoopers, the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2017 recorded in the consolidated financial statement, which was prepared in accordance with the International Financial Reporting Standards, amounted to RMB3,148,220,922.

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit recorded in the Company's financial statements for the year of 2017, which was prepared in accordance with the China Accounting Standards for Business Enterprises, amounted to RMB2,785,950,962; adding the undistributed profits of RMB3,415,421,647 at the beginning of the year of 2017, deducting the distributed profits of RMB1,881,463,149 for the year of 2016, and after appropriating 10% of the profit to the statutory surplus reserve of RMB278,595,096 on the basis of the net profit recorded by the Company for the year of 2017, the profits distributable to shareholders as at December 31, 2017 amounted to RMB4,041,314,364.

The profit distribution plan for the year of 2017 proposed by the Company is as follows: cash dividends of RMB7.5 per 10 shares (tax inclusive) are distributed based on total share capital of 2,508,617,532 shares of the Company as at December 31, 2017 for holders of A shares and holders of H shares whose names appear on the register of members on the record date of the declaration of cash dividend for the year of 2017 and dividend of RMB1,881,463,149 in total is distributed. The undistributed profit balance of the Company will be settled and carried forward to the following year. The Company will not carry out bonus sharing and conversion of capital reserve into share capital for the year of 2017. The cash dividend distributed by the Company is denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

VI. Risks disclaimer of the forward-looking statements

The forward-looking statements in this annual report such as future plans and development strategies do not constitute an actual 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 illustrated the possible risks we may face in details 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

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 2017 annual report for your review.

In 2017, the world economy continued its rebounding progress, but was inhibited from recovery by some uncertainties. As a significant year for the implementation of the "13th Five-Year Plan", the year 2017 witnessed smooth and healthy development of China's automobile industry with record-breaking production and sales. Playing a "supporting role" in automobile industry, the Company lived up to the expectations and managed to fulfill its missions, further increasing its market share and enhancing its brand reputation and influence. In particular, the Company achieved the smooth operation of its automobile glass plant in the US, the turnaround of its US investment project from previous losses, successful relocation of its North American ancillary company and admirable construction progress of its European subsidiary.

In 2017, the Company continued to promote the integration of informationization and industrialization under the theme of "transformation and upgrading" and thoroughly carried through the management reform in the light of the lean manufacturing concept. In pursuit of its kernel goal of "making Fuyao a success", the Company implemented the "five steps towards one aim (一分為五)" reform plan, which introduced the flexible "Train Mode (動車模式)" instead of the traditional "Locomotive Mode (火車頭模式)" so as to inspire the creativity of each of the Fuyao members, bring forth sustainable competitiveness for Fuyao and proceed to create value for customers.

During the Reporting Period, the Company realized a revenue of RMB18,715,609,000, representing an increase of 12.60% as compared with the corresponding period last year; realized a profit before tax of RMB3,679,195,000, representing a decrease of 6.12% as compared with the corresponding period last year, which was mainly due to an exchange loss of RMB387,507,000 (the exchange gains were RMB458,716,000 in 2016) resulting from the RMB appreciation, and without taking this factor into account, the profit before tax for the Reporting Period represented a year-on-year increase of 17.53%; and realized annual profit attributable to equity holders of the Company of RMB3,148,221,000, representing an increase of 0.15% as compared with the corresponding period last year; earnings per share was RMB1.25, remaining unchanged as compared with the corresponding period last year.

In 2018, under the more skeptical domestic and overseas economic environments and in the face of both opportunities and challenges, the Company will further push ahead big data application and smart manufacturing and devote greater efforts to conduct lean manufacturing, aiming for quality and efficiency upgrade, product cost reduction and productivity improvement; develop new technology products from the perspective of "safety and comfort, energy conservation and environmental protection, beautiful appearance, and intelligence and integration" so as to increase the added value of its products; pay closer attention to the organizational construction and personnel training and gear the training program to the staff performance, thus further optimizing the personnel training systems; and strengthen its management over intellectual rights, branding and compliance matters so as to improve the comprehensive competitiveness of the Company.

In response to the opportunities and challenges, I will plough into the work awaiting in the coming year with a positive attitude to maximize interests for the shareholders, to increase the happiness index of all employees in all aspects, and to improve customer satisfaction, so as to facilitate the Company to achieve more brilliant success in 2018.

Chairman: **Cho Tak Wong**

Section II Definitions

I. DEFINITIONS

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

Definitions of common terms

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors	the board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
RMB, RMB1,000, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 1,000 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, the lawful currency in circulation in the PRC
PVB	polyvinyl butyral
OEM, ancillary business	automotive glass and services used in new vehicles of automobile factories
ARG, spare parts and component business	used in aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
laminated glass	automotive safety glass made by two or more than two layers of automobile float glass sticking with a layer or various layers of PVB
float glass	the glass produced by applying float technology
Reporting Period	for the twelve months ended December 31, 2017
Latest Practicable Date	March 16, 2018, 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 the Securities Affairs**
Name	Li Xiaoxi	Zhang Wei
Contact Address	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Telephone	0591-85383777	0591-85363777
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, 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

Information on the Company's shares

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

VI. 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
	Name of signing accountants	Qing Jie, Fan Yunfei
Auditors engaged by Company (overseas)	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	**2017**	2016	Increase/ decrease of the Reporting Period as compared with the corresponding period last year *(%)*	2015
Revenue	**18,715,609**	16,621,336	12.60	13,573,495
Profit for the year attributable to the equity holders of the Company	**3,148,221**	3,143,449	0.15	2,604,697
Profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss	**3,030,259**	3,069,187	-1.27	2,610,572
Net cash generated from operating activities	**4,658,218**	3,531,738	31.90	3,000,346
	At the end of 2017	At the end of 2016	Increase/ decrease at the end of the Reporting Period as compared with the end of the corresponding period last year *(%)*	At the end of 2015
Equity attributable to holders of the Company	**19,014,191**	18,047,500	5.36	16,423,888
Total assets	**31,717,365**	29,879,729	6.15	24,841,632

Note: In particular, "Profit for the year attributable to the equity holders 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

(II) Principal financial indicators

Principal financial indicators	2017	2016	Increase/ decrease of the Reporting Period as compared with the corresponding period last year *(%)*	2015
Basic earnings per share *(RMB/share)*	**1.25**	1.25	–	1.10
Diluted earnings per share *(RMB/share)*	**1.25**	1.25	–	1.10
Return on equity *(%)*	**16.56**	17.42	Decreased by 0.86 percentage point	15.86

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

Section III Corporate Profile and Principal Financial Indicators

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

(I) Discrepancies between net profit and net assets attributable to shareholders of the Listed Company in the financial report disclosed under the International Financial Reporting Standards and under the China Accounting Standards for Business Enterprises

Unit: '000 Currency: RMB

	Net profit		Net assets attributable to the shareholders of the Listed Company	
	Amount for the Reporting Period	Amount for the corresponding period of previous year	**Amount at the end of the Reporting Period**	Amount at the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	**3,148,748**	3,144,227	**19,000,836**	18,033,618
Adjustments to items and amounts in accordance with the International Financial Reporting Standards: Reversal of impairment for buildings and land use rights and the discrepancies between corresponding depreciation and amortization	**-527**	-778	**13,355**	13,882
Prepared in accordance with the International Financial Reporting Standards	**3,148,221**	3,143,449	**19,014,191**	18,047,500

Section III Corporate Profile and Principal Financial Indicators

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

In addition to preparing the financial statements for H shares in accordance with the International Financial Reporting Standards, the Company, as an A-shares company listed on the SSE, is also required to prepare financial statements in accordance with the China Accounting Standards for Business Enterprises. There are discrepancies between the financial statements prepared by the Company in accordance with 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, made provision for impairment in accordance with the discrepancies between recoverable amounts and carrying amounts of buildings and land in the previous year. The provision for long-term asset impairment was subject to "Accounting Standards for Business Enterprises No. 8 – Assets Impairment" issued by the Ministry of Finance on February 15, 2006. Upon recognition of the loss on asset impairment of the Group, it shall not be reversed during the subsequent accounting periods. Under the International Financial Reporting Standards, various estimations for the recognition of the recoverable amount of assets applied by the Group have varied since the latest recognition of loss on impairment, and the loss on asset impairment, excluding goodwill, recognised in the previous period should be reversed. Such discrepancies will have an impact on the provision for (and loss on) asset impairment of the Group, operating results (depreciation/amortization) of buildings and land use rights within useful lives, thus resulting in the adjustment matters above.

IX. PRINCIPAL FINANCIAL DATA FOR THE YEAR OF 2017 BY QUARTER

Unit: '000 Currency: RMB

	The first quarter (From January to March)	**The second quarter (From April to June)**	**The third quarter (From July to September)**	**The fourth quarter (From October to December)**
Revenue	4,197,598	4,516,365	4,685,571	5,316,075
Profit for the year attributable to the equity holders of the Company	692,769	693,262	757,118	1,005,072
Profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss	685,238	662,699	737,089	945,233
Net cash generated from operating activities	1,024,630	624,747	1,371,659	1,637,182

Note: In particular, "Profit for the year attributable to the equity holders 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 2017	Amount for the year of 2016	Amount for the year of 2015
Profit or loss from disposal of non-current assets	**-26,217,990**	-17,315,990	-65,685,144
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 standard required by national policies	**188,280,808**	89,542,263	97,835,999
Profit or loss from changes in fair value of held-for-trading financial assets and trading financial liabilities, and investment gains from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, other than effective hedging activities related to normal business operations of the Company	**-33,267,704**	9,194,672	25,762,177
Reversal of provision for impairment of receivables subject to individual impairment test	**29,805**	31,618	199,506
Other non-recurring income and expenses other than the above items	**9,631,111**	7,539,143	-40,666,067
Impact on non-controlling interests	**9,265**	2,750,393	2,478
Effects of income tax	**-19,975,837**	-16,701,929	-22,641,098
Total	**118,489,458**	75,040,170	-5,192,149

XI. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of items	Opening balance	Closing balance	Changes in the Reporting Period	Impacted amounts on current profits
Forward foreign exchange contracts	1,951,267	**-332,708**	-2,283,975	-2,283,975
Currency swap contracts	–	**-18,762,211**	-18,762,211	-18,762,211
Short call on foreign exchange	–	**-534,000**	-534,000	–
Structured wealth management products (Note 1)	–	**101,927,854**	101,927,854	1,927,854
Total	1,951,267	**82,298,935**	80,347,668	-19,118,332

Notes:

1. It represents principal-guaranteed wealth management products with the closing balance of gains of the Company linked with J.P. Morgan MOZAIC WEEKLY Index.

2. The positive balance represents that the net balance of the related items at the date of the balance sheet is assets, while negative is liabilities.

Section IV Summary of the Business of the Company

I. DETAILS OF THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW DURING THE REPORTING PERIOD

(I) Principal business and business model

The principal business of the Company is the provision of total solution of safety glass for various transportation vehicles, including the provision of design, manufacture, sales and service for automotive grade float glass and automotive glass and locomotive glass. The business model of the Company is globalized research and development, design, manufacture, distribution and after-sales service. The Company adheres to its brand development strategies of keeping technology leadership and fast responding to the market, so as to work with its customers on product design, manufacturing and service providing. The Company creates values for its customers through the concentration on improving industrial ecological chain and reacting to the ever-changing demand of customers systematically, professionally and rapidly.

The following table sets forth details of revenue by products for the specified period:

Unit: '000 Currency: RMB

	2017		2016		2015	
Business	**Revenue**	**Percentage *(%)***	Revenue	Percentage *(%)*	Revenue	Percentage *(%)*
Automotive glass	**17,868,123**	**95.47**	16,145,326	97.14	13,137,757	96.79
Float glass	**2,899,054**	**15.49**	2,729,026	16.42	2,485,240	18.31
Others	**620,514**	**3.32**	404,319	2.43	461,607	3.40
Less: Intragroup elimination	**-2,672,082**	**-14.28**	-2,657,335	-15.99	-2,511,109	-18.50
Total	**18,715,609**	**100.00**	16,621,336	100.00	13,573,495	100.00

(II) Industry Overview

The automobile production volume in China increased from 18,264,700 units in 2010 to 29,015,400 units in 2017, with a compound annual growth rate of 6.84% and a year-on-year growth of 3.19%. It has ranked first in the world for nine consecutive years. The Chinese automobile industry has transformed into a stage of quality-dominated development from that of speed-dominated development.

In 2017, the automobile industry of the PRC was under certain pressure. On the one hand, the decrease in preferential margin of purchase tax resulted in early purchase in the passenger automobile market in 2016; on the other hand, the adjustment to the new energy vehicle policy posed certain effects on the sales in 2017. According to the operation of automobile industry throughout 2017, although the growth rate of production and sales volume was slightly lower than the expected growth rate at the beginning of the year, the overall economic operation of the industry was sound and maintained stable growth since the increase in 2017 was achieved over the high growth rate in 2016.

The average growth speed of the global automobile industry maintained stable at approximately 3.5% to 4.5%, as is evident from the average growth speed of automobile in the international market for years. However, the growth speed of the automobile industry in developing countries is higher than that in developed countries and their proportion in the global automobile industry is constantly increasing with an expanding impact.

According to the data of OICA as of 2015, the global automobile ownership was 1.282 billion units. Economic sentiments, climate changes and road conditions are the major factors affecting the total amount of aftermarket automotive glass. The stable growth in automobile ownership and frequent extreme weathers brought a rapid growth in the demand of aftermarket automotive glass.

Section IV Summary of the Business of the Company

In the medium and long term, the popularity of automobiles in China will still be relatively low. According to the data as of 2016, the automotive ownership for every one hundred persons in China was approximately 14 units, lower than that of the world and far lower than that of developed countries (e.g. over 80 units in the US, a typical developed country). Along with the development of Chinese economy, the enhancement of urbanization level, the growth of residents' income, the increase in consumption ability and the improvement of road infrastructure, it will constantly bring driving forces to the growth of the Chinese automobile market. There is still much room for development in the Chinese automobile industry and the industry of provision of accessories for automobiles.

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 protection, beautiful appearance, and intelligence and integration" with constantly increasing added value. The leading position of Fuyao in the industry 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 RMB13,476 million, accounting for 42.49% 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 of contributing transparent and delicate glass to the world. Brand is the core competitiveness of Fuyao.

2. Fuyao has trained a team with devotion, passion, unity and aggressiveness 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, global layout of R&D centers and supply chain network; unique staff training and related mechanism, all of which are the systematic industrial advantages like a "city moat".

5. Development strategy in a professional, devoted and concentrated manner enables the Company to react promptly to market changes and provide Total Solution of automotive glass for customers.

Section V Report of the Board of Directors

I. BUSINESS REVIEW

(I) Review on the business of the Company

The principal business of the Company is the provision of Total Solution of safety glass for various transportation vehicles, including the provision of design, manufacture, sales and service for automotive grade float glass and automotive glass and locomotive glass. The business model of the Company is globalized research and development, design, manufacture, distribution and after-sales service. The Company adheres to its brand development strategies of technological advancement and quick response, work with its customers on the design, manufacture and services, and focuses on improving industrial ecological chain, with a view to reacting to the ever-changing demand of customers in a systematical, professional and rapid manner and creating values for customers. Fuyao is a green development enterprise with a strong sense of social responsibility and pursuing safe, environmental protection, integrity and "Win-Win" policies.

During the Reporting Period, the Company realized revenue of RMB18,715,609,000, representing an increase of 12.60% as compared with the corresponding period last year; realized total profit before tax of RMB3,679,195,000, representing a decrease of 6.12% as compared with the corresponding period last year, which was mainly due to an exchange loss of RMB387,507,000 (the exchange gains were RMB458,716,000 in 2016) resulting from the RMB appreciation,and without taking this factor into account, the profit before tax for the Reporting Period represented a year-on-year increase of 17.53%; and realized profit attributable to equity holders of the Company of RMB3,148,221,000 for the year, representing an increase of 0.15% as compared with the corresponding period last year; earnings per share was RMB1.25, remaining unchanged as compared with the corresponding period last year. For details, please refer to relevant information in this section and sub-section headed "I. Management Discussion and Analysis" in the "Section VI Management Discussion and Analysis".

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

Most of the revenue of the Company is generated from the provision of high quality automotive glass design, supply and service. The Company also produces and sells float glass (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:

	Year ended December 31		
Financial indicators	**2017**	2016	2015
Revenue growth (1)	**12.60%**	22.45%	4.99%
Net profit growth (2)	**0.18%**	20.53%	17.59%
Gross profit margin (3)	**41.66%**	41.95%	41.51%
Net profit margin before interest and taxes (4)	**20.63%**	24.53%	23.82%
Net profit margin (5)	**16.82%**	18.90%	19.21%
Return on equity (6)	**16.56%**	17.42%	15.86%
Return on total assets (7)	**9.92%**	10.52%	10.49%
Gearing ratio (8)	**40.04%**	39.58%	33.86%
Turnover period of the trade receivables (9)	**88**	85	85
Inventory turnover period (10)	**97**	100	108

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%;

Section V Report of the Board of Directors

(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 equity holders of the Company for the period ÷ equity attributable to the holders 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 the 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;

(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 analyzed the growth potential of the Company through selecting representative financial indicators of profitability, operation capacity and repayment ability. The Company has stable financial indicators and its profitability indicators presented a rise trend in the recent three years. In particular, the revenue for 2017 saw an increase of 12.60% as compared with the corresponding period last year and the profit before income tax amounted to RMB3,679,195,000. Without taking the exchange gain or loss into account, the profit before income tax for the Reporting Period increased by 17.53% as compared with the corresponding period last year and the profitability maintained growth; the gearing ratio as at 31 December 2017 slightly increased by 0.46 percentage point as compared with the corresponding period last year and the Company continually maintained a strong repayment ability. The turnover period of the trade receivables and inventory turnover period of the Company maintained at approximately 85 days and 100 days, respectively in the last three years, indicating high turnover efficiency. In sum, the Company, with strong competitiveness and operation management capacity, is able to continuously create value for shareholders.

For description of other information, please refer to "Section IV Summary of the Business of the Company" and"Section VI Management Discussion and Analysis".

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

(I) Industry landscape and development trend

The automobile production volume in China increased from 18,264,700 units in 2010 to 29,015,400 units in 2017, with a compound annual growth rate of 6.84% and a year-on-year growth of 3.19%. It has ranked first in the world for nine consecutive years. The Chinese automobile industry has transformed into a stage of quality-dominated development from that of speed-dominated development.

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In 2017, the automobile industry of the PRC was under certain pressure. On the one hand, the decrease in preferential margin of purchase tax resulted in early purchase in the passenger automobile market in 2016; on the other hand, the adjustment to the new energy vehicle policy posed certain effects on the sales in 2017. According to the operation of automobile industry throughout 2017, although the growth rate of production and sales volume was slightly lower than the expected growth rate at the beginning of the year, the overall economic operation of the industry was sound and maintained stable growth since the increase in 2017 was achieved over the high growth rate in 2016.

The average growth speed of the global automobile industry maintained stable at approximately 3.5% to 4.5%, as is evident from the average growth speed of automobile in the international market for years. However, the growth speed of the automobile industry in developing countries is higher than that in developed countries and their proportion in the global automobile industry is constantly increasing with an expanding impact.

According to the data of OICA as of 2015, the global automobile ownership was 1.282 billion units. Economic sentiments, climate changes and road conditions are the major factors affecting the total amount of aftermarket automotive glass. The stable growth in automobile ownership and frequent extreme weathers brought a rapid growth in the demand of aftermarket automotive glass.

In the medium and long term, the popularity of automobiles in China will still be relatively low. According to the data as of 2016, the automotive ownership was approximately 14 units for every one hundred persons in China, lower than that of the world and far lower than that of developed countries (e.g. over 80 units in the US, a typical developed country). Along with the development of Chinese economy, the enhancement of urbanization level, the growth of residents' income, the increase in consumption ability and the improvement of road infrastructure, it will constantly bring driving forces to the growth of the Chinese automobile market. There is still much room for development in the Chinese automobile industry and the industry of provision of accessories for automobiles.

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 protection, beautiful appearance, and intelligence and integration" with constantly increasing added value. The leading position of Fuyao in the industry 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) Development strategies of the Company

Development strategies of the Company:

Leveraging the culture and talents of techniques and innovation, the Company has systemically established a sustainable competitive advantage 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.

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The plan of the Company is:

(1) to extend the boundary of "a piece of glass", strengthen the study in the trend of glass integration and provide more comprehensive product solutions and services to automobile factories and ARG users.

(2) to operate globally. The Company is conducting transformation and upgrading in respect of organization structure, culture, investment and talents to improve the ability to provide services and create values for customers worldwide.

(3) to build the customer-oriented excellent quality management system of Fuyao following the idea of "combining moral standing, product, quality and taste" with the aim of zero defect.

(4) to consolidate the foundation, cultivate talents and carry forward the culture of continuous improvement to build the lean operation system of Fuyao.

(5) to further comprehensively promote management system with intensive capital and budget to ensure the maximization of capital efficiency.

(6) to capture the brand establishment, quality assurance and match high-quality products with its brand to make "Fuyao" an international brand representing the standard of the industry and establish a worldwide common research and development platform while achieving the short-term operation goals and long-term strategic development.

(7) to improve staff growth and happiness index to make Fuyao a great company.

Opportunities of the Company:

(1) The upgrade of product consumption and technical progress, accompanied with the increase in demand for high value-added automotive glass, provides new development opportunities for Fuyao. With the transformation from product operation to brand operation featured by integrated Total Solution, the Company's value has been on the rise continuously.

(2) The PRC economic structure will become more reasonable, differences between regions will be reduced, poverty gap will be narrowed down, buying power will be increased and the economy will be developed healthily and stably, which provide new opportunities for the development of the Company.

(3) The reasonable capital structure, sufficient cash flow, stable finance and exceptional operating ability of the Company have laid an optimal foundation for leap development of the Company.

(4) Benefiting from the solid foundation of the Company's informatization, the Company can quickly adapt to changes in external environment in the informatization era.

(5) The successful operation of the US Fuyao automotive glass plant, shift of production and operation towards international customers and enhancement of the Company's rapid response to customers can provide faster and more valuable services to North American customers and the largest market in the world.

(6) The globalization of the Company has been taking shape, enabling the Company to cope with challenges brought about by the changes in international situation.

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Challenges of the Company:

(1) The transformation and upgrading of the global economy and the increase in uncertainties will bring challenges to the international development of the Company.

(2) The Chinese economy is currently in a critical period of transformation and development, optimization of economic structure and change of growth impetus. The outstanding problem with the change of economic development mode will bring challenges to the domestic development of the Company.

(3) In the informatization era, customers have growing requirements for the response speed, and propose new requirements for the improvement of collaborative ability of the Company.

(4) The upgrade of product consumption 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, laws and matching of human resources in the country it operates.

(III) Operating plan

In 2018, Fuyao will face greater challenges due to slowdown of automobiles sales growth amidst increased economic uncertainties at home and abroad. As such, the Company will achieve lean cost reduction and efficiency enhancement through management reform, technological innovation and intelligent manufacturing with a persistent orientation towards the demand of internal and external customers. Based on the scientific decision-making and transparency of big data management and the pragmatic technological foundation of human and machine, the full-value chain operations management will be realized. The production volume, sales volume and other principal operating indicators of automotive glass are expected to maintain steady growth for the year of 2018.

Major tasks of the Company to be carried out in 2018:

1. To promote big data and intelligent manufacturing with the focus placed on intelligent manufacturing, refined management and digitalized factory to enhance quality and efficiency, reduce product costs and improve productivity.

2. To carry out research and development of new technologies and products from the four perspectives of "safety and comfort, energy conservation and environmental protection, beautiful appearance, and intelligence and integration", strengthen organization construction and talent cultivation, and further improve the management and incentive mechanism.

3. To enhance staff's awareness of being responsible for quality and skills and adopt special solution for quality problems with a view to achieving zero quality defect and intensify the application of automatic test system to enhance customer satisfaction.

4. To increase efforts for lean advancement: to promote the construction of five-star shifts and departments' lean activities to realize cost reduction and efficiency enhancement.

5. To relate training with work performance and further optimise the talent training system based on the staff development requirements.

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6. To develop the markets in Europe and North America and increase the Company's market share in the world.

In order to achieve the operating plan and work targets for the year of 2018, the Company expects the funding demand throughout 2018 will be RMB24.471 billion, of which the operating expenditure, capital expenditure and the expenditure for payment of cash dividends will be RMB18.605 billion, RMB3.985 billion and RMB1.881 billion, respectively. Such plan will be achieved through collection of sales payment, acceleration of inventory turnovers and management of receivables, utilization of balance of funds and debt financing such as borrowings from financial institutions or issuance of debentures. In 2018, for the purpose of enhancing the security and effectiveness of capital management, the Company will continuously enhance the comprehensive budget management, strictly control the exchange risks and optimize the capital structure.

The abovementioned plan is an operating plan based on the current economic conditions, market conditions and the position of the Company. The operating plan therefore does not constitute a performance guarantee or actual guarantee by the Company to the investors. Investors shall maintain a sufficient awareness of the risks and gain an understanding of the differences between an operating plan and a performance guarantee.

(IV) Potential risks

1. Risks on economic, political and social conditions, and government policies

Most assets of the Company are located in the PRC and approximately 65% of the income is from the business in the PRC. Therefore, the operating results, financial status and prospects of the Company are influenced by the changes in economy, politics, policies and laws. As the Chinese economy is in the stage of transformation and upgrading, the business of the Company in the PRC might also be affected. Hence, the Company will enhance the innovation on technology while strengthening the aftersales maintenance market, and consolidate and ensure stable and healthy development of the PRC market while taking advantage of globalized operation.

2. Risks of the 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 where intelligence, networking and digitalization will be the mainstream of the development of the automobile industry. As the scale of individual enterprises in the PRC automobile industry remains small, consolidation will be inevitable. If the Company fails to promptly react to the change in technologies, customers' demands might not be satisfied. 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 status and operating results of the Company. The Company, therefore, will enrich product lines, optimize product structures, 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, to provide more comprehensive product solutions and services to customers worldwide.

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3. Risks of the 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 reduced their costs of products or launched new glass products or materials which could substitute glass, the sale and profit margin of the Company may be adversely affected. In this regard, the Company applied the strategy of differentiation to strengthen the strategic and cooperative relationship with customers, further satisfy market needs at home and abroad, and constantly improve the value and competitiveness of "Fuyao" brand.

4. Risks of cost fluctuation

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. Influenced by the fluctuation 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 the pricing mechanism of natural gas and the linkage reform mechanism of crude oil, the commencement of coal power linkage pricing reform mechanism, the pressures of inflation arising from the Quantitative Easing happening to countries by turn all over the world, continuous rising of labor cost, the Company is exposed to the risk of cost fluctuation. Given the above, the Company will:

(1) integrate key material suppliers to develop cooperative partnership relationship and build a sound mechanism in respect of the rating and incentive of suppliers, and appraise outstanding suppliers; build an iron triangle management mechanism on areas such as procurement, technique and quality by focusing on suppliers of key materials and import of materials.

(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 building 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.

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5. Risks of fluctuations in exchange rates

Reforms have been made to the mechanism of the country's RMB exchange rate with regard to the principles of taking initiatives in the reforms of, pursuing gradual changes in and maintaining control over RMB exchange rates by turning the said mechanism into a managed floating exchange rate system based on market supply and demand with reference of the 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 over one third and its scale expands per annum, the occurrence of significant fluctuations 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.

6. Risks that 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 of the customers of the Company

The Company focuses on developing proprietary technologies and new automotive glass products. Long time periods 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 enlarge 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.

III. RESULTS

Please refer to "Consolidated Income Statement" of "Section XII Financial Report" for details of the annual results of the Company for the year ended December 31, 2017. 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.

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IV. DIVIDEND AND REDUCTION AND EXEMPTION OF DIVIDEND TAX

The profit distribution plan for the year of 2017 proposed by the Company is as follows: cash dividends of RMB7.5 per 10 shares (tax inclusive) are distributed based on total share capital of 2,508,617,532 shares of the Company as at December 31, 2017 to holders of A shares and holders of H shares whose names appear on the register of members on the record date for payment of cash dividend for the year of 2017 and dividend of RMB1,881,463,149 in total is distributed. The undistributed profit balance of the Company will be carried forward to the following year. The Company will not carry out bonus sharing and conversion of capital reserve into share capital for the year of 2017. The cash dividend distributed by the Company is denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

After the profit distribution plan for the year 2017 of the Company is approved by the general meeting, the cash dividend will be paid out 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 is expected to be distributed by the Company on or before 29 June 2018. In the case of any change in the distribution date for the dividends mentioned above, the Company will make relevant announcement in a timely manner. The Company will announce the details regarding the distribution date of and other specific matters on dividend distribution in due course.

For details of the formulation, implementation and adjustment to the policy of cash dividend and the plan or proposal for profit distribution 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"

Holders of A shares

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

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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 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) (《國家税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税有關問題的通知》(國税函2009[47]號)). QFII shareholders entitled to preferential tax treatment shall apply to the competent taxation authority for tax rebates (arrangements) 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 abovementioned 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) (《非居民企業所得税源泉扣繳管理暫行辦法》(國税發[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) (《國家税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税問題的批覆》(國税函[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, State Administration of Taxation and 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、國家税務總局、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税收政策的通知》(財税[2014]81號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

Pursuant to the requirements of the Notice of the Ministry of Finance, State Administration of Taxation and 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、國家税務總局、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税收政策的通知》(財税[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.

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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, 2017 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, State Administration of Taxation and 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 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 through the Shanghai-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect published by the Ministry of Finance, State Administration of Taxation and 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 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 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.

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V. USE OF PROCEEDS FROM H SHARE ISSUANCE

In order to raise funds to expand the business of the Company and further enhance its corporate governance and competitiveness, the Company has conducted an initial public offering of H shares. Upon obtaining the "Approval in Relation to the Issuance of Overseas Listed Foreign Shares by Fuyao Glass Industry Group Co., Ltd." (Zheng Jian Xu Ke [2015] No. 295) (《關於核准福耀玻璃工業集團股份有限公司發行境外上市外資股的批覆》(證監許可[2015]295號)) issued by the CSRC, the Company completed the initial offering of 439,679,600 H shares to overseas investors on March 31, 2015 and further completed the issuance of 65,951,600 H shares to overseas investors due to their exercise of the over-allotment options on April 28, 2015. The number of H shares issued was 505,631,200 in aggregate. The placing price under the initial public offering was HKD16.80 per H share. After deducting underwriting fee and other issuance expenses, net proceeds from the two issuances were HKD8,278,123,392.61 in aggregate (equivalent to a total of USD1,067,317,464.20).

As at December 31, 2017, except for an amount of USD200,000,000 had been remitted to the PRC, the rest of the proceeds from the issuance of H shares of the Company was used for the construction of overseas projects.

VI. CONNECTED TRANSACTIONS

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

VII. DONATION

During the Reporting Period, the total external donation of the Group amounted to RMB14,136,700.

VIII. PROPERTY, PLANT AND EQUIPMENT

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

IX. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Please refer to Note 9 "Investments Accounted for Using the Equity Method" and Note 35 "Subsidiaries" to "Section XII Financial Report" for the details of the interests of the Company in subsidiaries, joint ventures and associates as at December 31, 2017.

X. 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.

XI. PERMITTED INDEMNITY PROVISION

As at December 31, 2017, the Company maintained directors', supervisors' and senior management members' liability insurance for all of its directors, supervisors and senior management members.

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XII. MANAGEMENT CONTRACTS

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

XIII. DISCLOSURE OF INTERESTS

Please refer to "Section VIII Changes in Ordinary Shares and Information of Shareholders" for the details of the disclosure of interests of the Company.

XIV. 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.

XV. MINIMUM PUBLIC FLOAT

As at the Latest Practicable Date, according to the publicly available information and to the best knowledge of the directors of the Company, the Company has maintained sufficient public float.

XVI. 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.

XVII. RESERVES AND DISTRIBUTABLE RESERVE

Pursuant to the Company Law of the PRC, undistributed profit could be distributed as dividend 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 and the International Financial Reporting Standards. For the calculation in accordance with the International Financial Reporting Standards, as at the end of 2017, the undistributed profit of the Company amounted to RMB4.024 billion.

XVIII. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

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

XIX. BANK BORROWINGS AND OTHER LOANS

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

Section V Report of the Board of Directors

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

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules, except as otherwise explained in the Corporate Governance Report of this annual report. Please refer to "Section X Company Governance and Corporate Governance Report" for the details of the corporate governance of the Company.

XXI. FULFILMENT OF SOCIAL RESPONSIBILITIES

During the Reporting Period, the Company has prepared and disclosed the 2017 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. pursuant to the relevant requirements. The relevant report will be published on the Hong Kong Stock Exchange and the SSE. Moreover, the Company will publish the 2017 Environmental, Social and Governance Report of Fuyao Glass Industry Group Co., Ltd within 3 months from the publication of the 2017 annual report of the Company.

XXII. RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

(I) Employees

In line with the internationalization trend and according to the needs brought by technology upgrading and management upgrading, the Group recruits talents through various channels such as official website, official microblog and job-hunting website at home and abroad, social network and campus recruiting at home and abroad. Our employees will serve Fuyao companies around the world upon their completion of orientation training, operational training and professional 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 "VIII. 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 2017, the five largest customers of the Group, all of which are independent third-party automotive glass customers, accounted for 16.04% of the revenue of the Group, and the largest customer accounted for 4.78% of the revenue of the Group. The Group have maintained good relationship with its major customers, and have established relationship with the 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 five largest customers of the Group.

Section V Report of the Board of Directors

(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 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 ISO/TS16949 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 2017, the five largest suppliers of the Group accounted for 17.47% of the purchases of the Group and the largest supplier of the Group accounted for 3.88% 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 has any interest in the five largest suppliers of the Group.

XXIII. ENVIRONMENTAL MATTERS

The Group complies with a broad range of environmental laws and regulations in countries in which it operates, including those governing waste gas emissions, polluted water discharges, 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, waste water, 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 on-line 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. Noise monitoring of automotive glass shall be conducted by ourselves on a monthly basis, while we engage qualified testing entities to conduct tests for other items which we are unable to test, twice per year. (8) implementation of the approval of clean production. and (9) preparation of contingency plans for all subsidiaries and filing according to local environment protection requirements. In addition, the Group conducts environmental monitoring on factories according to the monitoring plan and accepts the supervision of the environmental protection authorities. The Group also engages qualified third parties to conduct environmental impact assessment prior to the construction of the production factories. The Group has obtained ISO14001 certification for the environmental management systems.

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.

Section V Report of the Board of Directors

XXIV. 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) providing guidelines for operational and safety control procedures for all employees, (2) adopting protective measures at our production bases, (3) inspecting equipment and facilities regularly to identify and eliminate potential safety hazard, and (4) providing regular training to the employees on safety awareness. The Group has established a labor safety committee to monitor and ensure the effective implementation of its health and safety procedures. The Group has established safety management departments at its 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. The Group has also designated personnel in charge of safety management at the Russian and US production base. The Group has obtained GB/T28001 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, the Group did not encounter any material unplanned disruption in production due to health and safety issues, nor received any material claim in relation to health and safety.

XXV. LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

The Company may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of the business. As at the Latest Practicable Date, 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. 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.

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

The financial statements for the year ended December 31, 2017 have been reviewed by the audit committee of the Company.

Section VI Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

Being a worldwide leading enterprise of design, development, manufacturing, supply and service of automotive glass and automotive grade float glass, Fuyao adheres to its brand development strategies of keeping technology leadership and fast response to the market. During the Reporting Period, Fuyao continuously provided products and services of automotive safety glass which embodied the intelligence and care of all Fuyao staff to the world's automobile manufacturers and maintenance market, and provided global automobile users with intelligent, safe, comfortable, environmentally friendly and fancy Total Solutions relating to automotive safety glass, and in the meantime, improved the happiness of both drivers and passengers.

During the Reporting Period, the Company realized revenue of RMB18,715,609,000, representing an increase of 12.60% as compared with the corresponding period last year; realized profit before tax of RMB3,679,195,000, representing a decrease of 6.12% as compared with the corresponding period last year, which was mainly due to an exchange loss of RMB387,507,000 (the exchange gains were RMB458,716,000 in 2016) resulting from the RMB appreciation, and without taking this factor into account, the profit before tax for the Reporting Period represented a year-on-year increase of 17.53%; and realized profit for the year attributable to equity holders of the Company of RMB3,148,221,000, representing an increase of 0.15% as compared with the corresponding period last year; earnings per share was RMB1.25, remaining unchanged as compared with the corresponding period last year.

During the Reporting Period, the Company carried out the following work according to the plans formulated in 2017 centered on "continuously creating values for customers", with the purpose of "externally, enhancing customer satisfaction in all aspects; internally, continuously making efforts in management innovation and technical innovation to stimulate the creativity of all Fuyao staff and enhance their happiness index":

(1) The Company conducted quality management involving all staff throughout the whole process, strictly carried out technological process, and strictly implemented self-inspection system, in order to eliminate quality problems during the process within the plant.

(2) During the Reporting Period, the Company's domestic revenue from automotive glass represented an increase of 8.12% as compared with the corresponding period last year, higher than the growth rate of the output of the automobile industry (the output of the automobile industry experienced an increase of 3.19% in 2017); its overseas revenue from automotive glass had an increase of 15.58% as compared with the corresponding period last year, higher than the growth rate of the revenue from the domestic automotive glass. The Company deepened the business reform and benefited a lot from the new ecological business model for the operation of the Company driven by customers. It also further increased its market share with the implementation of the Group's international strategy.

(3) During the Reporting Period, the Company adopted a new model of lean exploration, implemented strict internal control standards, and took effective measures in terms of the purchase, sales, R&D, and enhancement of added value; meanwhile, the Company employed experts and consultants to promote the lean management in the whole Group, enhanced the lean reform and talent cultivation in terms of "quality operation, five-star teams, process quality and standardized operation", which laid solid foundation for the cost reduction and efficiency enhancement. During the Reporting Period, the cost expense rate (the aggregate of cost of sales, distribution costs, administrative expenses, research and development expenses, net finance costs and exchange gains/(losses) of other gains/(losses) as a percentage of the revenue) of the Company was 81.28%, representing a year-on-year decrease of 0.72 percentage point without taking foreign exchange gains or losses into account.

(4) During the Reporting Period, the Company continued to pursue innovation, leveraged on technology breakthroughs and developed new technology products from the perspective of "safety and comfort, energy conservation and environmental protection, beautiful appearance, and intelligence and integration". It also assigned "key technology-tackling tasks (攻關令)" to seek for technology and equipment breakthroughs and thereby enhanced the added value and competitiveness of its products.

Section VI Management Discussion and Analysis

(5) The Company enhanced the integration of informatization and industrialization, conducted smart manufacturing, built the “expressway” for the data transmission, and laid the foundation for the vertical integration by developing Master Data Management (MDM) and Enterprise Service Bus (ESB). During the Reporting Period, the Company established and upgraded CRM system (Customer Relationship Management System), PLM system (Product Lifecycle Management System), MES system (Manufacturing Execution System), CAPP system (Computer Aided Process Plan System), BI system (Business Intelligence System) and the overall budget management system, whereby effectuating the digital synergy and vertical integration of sales, R&D, design, process, purchase and the internal resources.

(6) During the Reporting Period, the Company initially finished the development of Fuyao SRM system (Supplier Relationship Management) by integrating the lean concept in combination with its actual situation and management experience. The advanced SRM system shored up the global strategic layouts of the Company and enabled the Company to share data with external suppliers and communicate and cooperate with one another in terms of key business.

(7) During the Reporting Period, the Company and DASSAULT SYSTEMES, the leader of 3DEXPERIENCE solutions, entered into the comprehensive strategic cooperation agreement, which integrated the front-end design CATIA software with Fuyao design knowledge engineering. Meanwhile, the Company standardized the Fuyao design business, comprehensively improved the efficiency of Fuyao design and established the Fuyao Digital Factory.

(8) The Company thoroughly carried through the management reform and implemented the “five steps towards one aim (一分為五)” reform plan in the light of the kernel goal of “making Fuyao a success”. It introduced the flexible “Train Mode (動車模式)” instead of the traditional “Locomotive Mode (火車頭模式)” so as to tap the potentials of each staff. Meanwhile, it carried on with the innovation and reform for the purpose of ongoing self-improvement and maintaining its sustainable competitiveness.

(9) During the Reporting Period, the Company strengthened the personnel cultivation in virtue of the Management Institute and carried out trainings for lean yellow belt internal trainers and lean yellow belt, green and black belt as well as red belt staff in the light of the development strategies of the Group as well as other themes. In addition, it also scheduled training courses for senior management trainees and the core members as well as course concerning quality engineering technology, supporting parts technology course, coating technology personnel training and the master control. Moreover, the Company commenced the construction of the staff vocational training center and carried out five-star-team construction so as to formulate a staff training system that covers personnel concerning all professions at all levels, thereby facilitating the progress and development of the staff and in return laying a solid foundation for the transformation and upgrading of the Group.

Section VI Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

As at December 31, 2017, the total assets of the Company amounted to RMB31,717 million, representing an increase of 6.15% as compared with the beginning of the year; the total liabilities amounted to RMB12,699 million, representing an increase of 7.37% as compared with the beginning of the year; gearing ratio was 5.90%; equity attributable to the holders of the Company amounted to RMB19,014 million, representing an increase of 5.36% as compared with the beginning of the year.

During the Reporting Period, the revenue achieved by the Company amounted to RMB18,715,609,000, representing an increase of 12.60% as compared with the corresponding period of last year; the profit for the year attributable to the equity holders of the Company amounted to RMB3,148,221,000, representing an increase of 0.15% as compared with the corresponding period of last year; the profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss (prepared in accordance with the China Accounting Standards for Business Enterprises), amounted to RMB3,030,259,000, representing a decrease of 1.27% as compared with the corresponding period of last year; basic earnings per share amounted to RMB1.25, remaining flat as compared with the corresponding period of last year.

(I) Analysis on principal business

Table of 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	**18,715,609**	16,621,336	12.60
Cost of sales	**10,917,999**	9,648,615	13.16
Distribution costs	**1,274,309**	1,184,740	7.56
Administrative expenses	**1,803,411**	1,673,626	7.75
Finance costs – net	**25,714**	51,137	-49.72
Net cash generated from operating activities	**4,658,218**	3,531,738	31.90
Net cash used in investing activities	**-3,375,590**	-3,067,995	10.03
Net cash (used by)/generated from financing activities	**-1,455,835**	424,489	-442.96
Research and development expenses	**803,441**	727,586	10.43

Section VI Management Discussion and Analysis

Changes in income statement and explanations

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/ decrease amount	Percentage of increase/ decrease (%)	Reason for change
Other income	**188,117**	89,542	98,575	110.09	Increase in other income was mainly due to the increase in government grants received for the year.
Other (losses) /gains – net	**-393,640**	493,785	-887,425	-179.72	The change in other gains/(losses)-net was mainly due to the exchange loss of RMB388 million as a result of exchange rate fluctuation during the Reporting Period, as compared with the gain on foreign exchange of RMB459 million for the same period last year.
Finance income	**156,659**	106,576	50,083	46.99	The increase in finance income was mainly due to a year-on-year increase in interest income.
Share of results of joint venture and associate	**-6,017**	-112	-5,905	5,272.32	The change of share of results of joint venture and associate was mainly due to the losses recorded by Jinken Glass Industry Shuangliao Co., Ltd., an associate of the Company.
Income tax expense	**531,479**	776,909	-245,430	-31.59	The decrease in income tax expense was mainly due to the fact that no deferred income tax assets was recognized for the previous years under the principle of caution resulting from the losses incurred by and the uncertainty of profitability of Fuyao Glass America Inc. (subsidiaries inclusive) during preparation. Fuyao Glass America Inc. recorded meager profits before tax in this year, leading to a decrease in the actual tax bearing rate.
Non-controlling interests	**-505**	-1,511	1,006	-66.58	The change of non-controlling interests was mainly due to change in gains or losses recorded by Xupu Fuyao Silica Sand Co., Ltd., a non-wholly-owned subsidiary of the Company.

Section VI Management Discussion and Analysis

Changes in cash flow statement and explanations

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/ decrease amount	Percentage of increase/ decrease (%)	Reason for change
Income tax paid	**853,351**	613,628	239,723	39.07	The year-on-year increase in income tax paid was due to payment of income tax for the previous year during the Reporting Period.
Proceeds from disposal of subsidiaries and joint ventures	**148,151**	212,517	-64,366	-30.29	Proceeds from disposal of subsidiaries and joint ventures were mainly the proceeds received from transfer of 100% equity interests in Fuzhou Fuyao Float Glass Co., Ltd. (福州福耀浮法玻璃有限公司), as compared with the proceeds mainly received from transfer of 75% equity interests in Fuyao Group Shuangliao Co., Ltd. for the same period last year.
Proceeds from disposal of property, plant and equipment	**72,934**	52,725	20,209	38.33	Increase in proceeds from disposal of property, plant and equipment was due to the transfer of plant and the ancillary facilities as well as other assets to Fujian Triplex Automotive Trim System Co., Ltd. during the Reporting Period.
Proceeds from disposal of intangible assets and land use rights	**10,570**	2,330	8,240	363.65	Proceeds from disposal of intangible assets and land use rights were proceeds from transfer of land use rights to Fujian Triplex Automotive Trim System Co., Ltd. during the Reporting Period.
Purchases of leasehold land and land use rights	**173,973**	10,702	163,271	1,525.61	Increase in purchases of leasehold land and land use rights was mainly due to the purchase of additional land use rights by Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司) and Fuyao Glass (Suzhou) Co., Ltd. (福耀玻璃(蘇州)有限公司).
Purchase of financial assets at fair value through profit or loss	**100,000**	–	100,000	100.00	The purchase of financial assets at fair value through profit or loss represents the principal-guaranteed wealth management products with income linked with J.P. Morgan MOZAIC WEEKLY Index (摩根大通MOZAIC WEEKLY指數) purchased in the Reporting Period.

Section VI Management Discussion and Analysis

Items	For the Reporting Period	For the corresponding period last year	Increase/ decrease amount	Percentage of increase/ decrease (%)	Reason for change
Funding to an associate	**190,000**	–	190,000	100.00	The funding to an associate represents the loan with principal amount of RMB190 million due from Jinken Glass Industry Shuangliao Co., Ltd. (an associate of the Company) whose long-term assets on its account and 75% of equity interests held by its shareholders have been charged or pledged to the Group.
Interest received	**156,659**	106,576	50,083	46.99	The increase in interest received was mainly due to the increase in interest income arising from deposit.
Dividends received	**0**	9,800	-9,800	-100.00	The decrease in dividends received was due to the receipt of dividends distributed by joint ventures during the same period last year.
(increase)/Decrease in restricted cash	**-11,559**	1,342	-12,901	-961.33	The change in restricted cash was mainly due to change in deposits for the opening of the letter of credit by the subsidiaries.
Repayment of borrowings	**9,989,268**	7,553,967	2,435,301	32.24	The increase in the amount for repayment of borrowings was mainly due to the increase in the ultra-short-term financing bills and long-term borrowings falling due and repaid in the Reporting Period.
Interest paid	**229,375**	153,648	75,727	49.29	The increase in interest paid was mainly due to the initial interest payment on corporate bonds and the increase in interest payments as a result of increased borrowings in the year.
Transaction with non-controlling interest	**4,620**	–	4,620	100.00	Transaction with non-controlling interest represents the consideration for acquisition of the non-controlling interests in Benxi Silica Sand, a non-wholly-owned subsidiary, in the Reporting Period.

Section VI Management Discussion and Analysis

1. Analysis on revenue and costs

During the Reporting Period, sales of automotive glass of the Company increased by RMB1,722,797,000, representing a year-on-year increase of 10.67%, in which domestic OEM sales increased by RMB840,644,000, and overseas OEM sales increased by RMB653,230,000. Cost of sales of the automotive glass of the Company increased by RMB1,223,333,000, representing a year-on-year increase of 11.99%. Cost expense rate of the Company in 2017 was 81.28%, representing an increase of 4.11 percentage points or, without taking exchange gain and loss (2017: exchange loss of RMB387,507,000; 2016: exchange gain of RMB458,716,000) into account, a decrease of 0.72 percentage point as compared with the corresponding period of last year. The costs were effectively controlled due to the followings: the Company adhered to industrial specialization, made more efforts on marketing, strengthened the development of functional products and high value-added products, implemented energy conservation and consumption reduction, and improved management efficiency to ensure that the growth of domestic and overseas automotive glass sales exceeded the growth in the automotive industry.

(1) Principal business by product or by region

Unit: '000 Currency: RMB

Principal business by product

Product	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 (%)
Automotive glass	17,868,123	11,429,556	36.03	10.67	11.99	Decreased by 0.76 percentage point
Float glass	2,899,054	1,878,728	35.20	6.23	-2.67	Increased by 5.93 percentage points
Others	620,514	281,797				
Less: Intragroup elimination	-2,672,082	-2,672,082				
Total	18,715,609	10,917,999	41.66	12.60	13.16	Decreased by 0.29 percentage point

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	11,972,483	6,863,092	42.68	9.09	10.99	Decreased by 0.98 percentage point
Other countries	6,743,126	4,054,907	39.87	19.42	17.03	Increased by 1.23 percentage points
Total	18,715,609	10,917,999	41.66	12.60	13.16	Decreased by 0.29 percentage point

(2) Production and sales volume analysis

Unit: (automotive glass) million square meters; (float glass) 0'000 tons (other than percentage)

Principal products	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	112.64	112.64	11.88	5.06	6.33	-0.17
Float glass	114.23	110.11	23.49	-3.05	-4.23	11.08

Note to production and sales volume:

Production volume refers to that of finished goods.

Section VI Management Discussion and Analysis

(3) Costs analysis

Unit: '000 Currency: RMB

By product

Product	Cost structure	Amount for the period	Amount for the period accounting for total costs (%)	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 (%)
Automotive glass	Raw and auxiliary materials	7,356,434	64.36	6,586,489	64.53	11.69
Automotive glass	Costs of energy	856,288	7.49	837,603	8.21	2.23
Automotive glass	Costs of labor	1,719,252	15.04	1,452,185	14.23	18.39
Automotive glass	Others(1)	1,497,582	13.11	1,329,946	13.03	12.60
Float glass	Raw and auxiliary materials	616,642	32.82	571,121	29.59	7.97
Float glass	Costs of energy	602,474	32.07	685,772	35.53	-12.15
Float glass	Costs of labor	179,725	9.57	162,657	8.43	10.49
Float glass	Others(1)	479,887	25.54	510,693	26.45	-6.03

Note: (1) Others include manufacturing overhead, business tax and surcharge and provision for impairment of inventories.

(4) Information on major customers and major suppliers

Sales to the five largest customers amounted to RMB3,001,739,700, accounting for 16.04% of the total sales of the year; of which related-party sales amounted to nil, accounting for 0% of the total sales of the year.

Purchases from the five largest suppliers amounted to RMB1,260,815,200, accounting for 17.47% of the total purchases of the year; of which related-party purchases amounted to nil, accounting for 0% of the total purchases of the year.

Section VI Management Discussion and Analysis

2 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.

3 Research and development expenses

Table of research and development expenses

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

R&D expenses during the Reporting Period	803,441
Capitalised R&D expenses during the Reporting Period	0
Total R&D expenses	803,441
Total amount of R&D investments as a percentage of the revenue *(%)*	4.29
Number of R&D staff of the Company	3,356
Number of R&D staff as a percentage of the total number of staff of the Company *(%)*	12.82
Percentage of R&D investments capitalization *(%)*	0

4. Cash flows

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

5. Details of charge on assets

As at December 31, 2017, Yung Tak Investment Limited, a subsidiary of the Group, pledged a land and buildings thereon with a carrying amount of RMB26,077,343 as security for a credit line of HKD30 million.

6. Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other technical transformation expenditures. During the Reporting Period, RMB3,590 million in cash was paid for purchase and construction of fixed assets, intangible assets and other long-term assets. In particular, capital expenditures of the Fuyao Tianjin automotive glass project, the US automotive glass project, the Benxi float glass project, the Company's projects and Suzhou automotive glass project amounted to approximately RMB363 million, RMB337 million, RMB323 million, RMB302 million and RMB186 million, respectively.

Section VI Management Discussion and Analysis

7. Borrowings

During the Reporting Period, the newly-added bank borrowings amounted to approximately RMB10,649 million and repayment of borrowings amounted to approximately RMB9,989 million, of which ultra short-term financing bills amounted to RMB600 million. The Company did not utilize any financial instrument for hedging. As at December 31, 2017, interest-bearing debts are set out as follows:

Unit: 100 million Currency: RMB

Type	Amount
Short-term borrowings with fixed interest rates	39.63
Short-term borrowings with floating interest rates	14.16
Long-term borrowings with fixed interest rates due within one year	0
Long-term borrowings with floating interest rates due within one year	0.09
Long-term borrowings with floating interest rates	17.11
Corporate bonds	7.99
Ultra short-term financing bills	0
Total	78.98

8. 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 recognised 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 possible; as such, the Group may hedge foreign exchange risks by ways of forward foreign exchange contract or currency swap contract. During the Reporting Period, foreign exchange loss of the Group amounted to RMB387,506,500 as compared with foreign exchange gain of RMB458,716,200 for the corresponding period of last year.

9. Capital efficiency

Inventory turnover period during the Reporting Period was 97 days, representing a decrease of 3 days as compared with the 100 days of the corresponding period of last year: among which, the inventory turnover period of automotive glass was 73 days, and 72 days for the corresponding period last year whereas the inventory turnover period of float glass was 132 days, and 126 days for the corresponding period last year.

The turnover period of the trade receivables during the Reporting Period was 88 days, and 85 days for the corresponding period last year. During the Reporting Period, the return on equity was 16.56%, as compared with 17.42% of the corresponding period last year.

Section VI Management Discussion and Analysis

Gearing ratio during the Reporting Period is set out as follows (as prepared in accordance with International Financial Reporting Standards):

Unit: '000 Currency: RMB

	December 31, 2017	December 31, 2016
Total borrowings	**7,897,266**	7,245,173
Less: Cash and cash equivalents	**-6,704,296**	-7,198,834
Net debts	**1,192,970**	46,339
Total equity	**19,018,614**	18,052,428
Total capital	**20,211,584**	18,098,767
Net liability to equity ratios *(%)*	**5.90%**	0.26%

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 less cash and cash equivalents. Total capital was the sum of net debts and total equity.

10. Undertakings

For details, please refer to descriptions in Note 33 "Commitments" to the "Section XII Financial Report".

11. Contingent liabilities

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

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
Deferred income tax assets	**280,596**	0.88	193,404	0.78	45.08	The increase in deferred income tax assets was mainly due to the recognition of relevant deferred income tax assets on losses deductible in the subsequent years as a result of losses that were mainly incurred due to the influence of foreign exchange losses of the Company for the year.
Other non-current asset	**191,212**	0.60	290	–	65,835.17	The increase in other non-current assets represents the loan with principal amount of RMB190 million due from Jinken Glass Industry Shuangliao Co., Ltd. (an associate of the Company) whose long-term assets on its account and 75% of equity interests held by its shareholders have been charged or pledged to the Group.
Financial assets at fair value through profit or loss	**101,928**	0.32	–	–	100.00	The increase in financial assets at fair value through profit or loss was due to the classification of the principal-guaranteed wealth management products with outstanding gains linked with J.P. Morgan MOZAIC WEEKLY Index into this category for accounting purpose.

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
Derivative financial instruments – current assets	**3,561**	0.01	1,951	0.01	82.52	The increase in derivatives financial instruments was due to the estimated unrealized gains incurred by the unsettled forward foreign exchange contracts as a result of movements in foreign exchange rates.
Restricted cash	**23,904**	0.08	12,345	0.05	93.63	The increase in restricted cash was mainly due to the relevant guaranteed deposits in line with the increase in issuance of letters of credit.
Borrowings – non-current liabilities	**2,509,605**	7.91	1,573,531	6.33	59.49	The increase in borrowings – non-current liabilities was due to the optimization of financing structure by the Company.
Current income tax liabilities	**200,882**	0.63	434,780	1.75	-53.80	The decrease in current income tax liabilities was mainly due to the fact that the Company and its subsidiaries have paid off the income tax payable.
Derivatives financial instruments – current liabilities	**23,190**	0.07	–	–	100.00	The increase in derivatives financial instruments was mainly due to the estimated unrealized loss incurred by the unsettled currency swap contracts as a result of movements in foreign exchange rates.

Section VI Management Discussion and Analysis

(III) Analysis on industry operating information

The automobile production volume in China increased from 18,264,700 units in 2010 to 29,015,400 units in 2017, with a compound annual growth rate of 6.84% and year-on-year growth of 3.19%. It has ranked first in the world for the last nine years. The Chinese automobile industry has transformed into a stage of quality-driven development from that of speed-driven development.

In 2017, the automobile industry of the PRC was under certain pressure. On the one hand, the decrease in preferential margin of purchase tax resulted in early purchase in the passenger automobile market in 2016; on the other hand, the adjustment to the new energy vehicle policy posed certain effects on the sales in 2017. According to the operation of automobile industry throughout 2017, although the growth rate of production and sales volume was slightly lower than the expected growth rate at the beginning of the year, the overall economic operation of the industry was sound and maintained stable growth since the increase in 2017 was achieved over the high growth rate in 2016.

The average growth speed of the global automobile industry maintained stable at approximately 3.5% to 4.5%, as is evident from the average growth speed of automobile industry in the world for years. However, the growth speed of the automobile industry in developing countries is higher than that in developed countries and their proportion in the global automobile industry is constantly increasing with an expanding impact.

According to OICA, the global automobile ownership is 1.282 billion units as of 2015. Economic sentiments, climate changes and road conditions are the major factors affecting the total amount of aftermarket automotive glass. The stable growth in car ownership and frequent extreme weathers brought a rapid growth in the demand of aftermarket automotive glass.

In the medium and long term, the popularity of Chinese automobiles will still be relatively low. According to the data as of 2016, the automotive ownership for every one hundred persons in China was approximately 14 units, lower than that of the world and far lower that of developed countries (e.g. over 80 units in the US, a typical developed country). Along with the development of the Chinese economy, the enhancement of urbanization level, the growth in residents' income, the increase in consumption ability and the improvement of road infrastructure will continue to infuse driving force in growing the Chinese automobile market. There is still much room for development for the Chinese automobile industry and its supporting industries.

The promotion of new-energy, intelligent and energy-saving automobiles drives economic transformation and upgrading; along with the development of technical application, the automotive glass has developed towards "safety and comfort, energy conservation and environmental protection, beautiful appearance, and intelligence and integration" with constantly increasing added value. The leading position of Fuyao in the industry in terms of technology has brought structural opportunities to the automotive glass of the Company in the market.

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

Section VI Management Discussion and Analysis

Analysis on operating information of automobile manufacturing industry

By classification of components and parts

Unit: million square meters (other than percentage)

	Sales volume			Production volume		
Classification of components and parts	**Accumulation within the year**	Accumulation of last year	Accumulative year-on-year increase/ decrease *(%)*	**Accumulation within the year**	Accumulation of last year	Accumulative year-on-year increase/ decrease *(%)*
Automotive glass	**112.64**	105.93	6.33	**112.64**	107.21	5.06

By classification of markets

Unit: million square meters (other than percentage)

	Sales volume in components market for finished automobiles			Sales volume in after-sales service market		
Classification of components and parts	**Accumulation within the year**	Accumulation of last year	Accumulative year-on-year increase/ decrease *(%)*	**Accumulation within the year**	Accumulation of last year	Accumulative year-on-year increase/ decrease *(%)*
Automotive glass	**96.81**	90.71	6.72	**15.83**	15.22	4.01

(IV) Analysis on investments

1. Material non-equity investments

The Company plans to complete the construction of production facilities with an annual capacity of 22 million square meters of automotive safety glass (excluding encapsulation facilities with an annual capacity of 1.08 million square meters) in Moraine, Ohio, the U.S., and construct the production line for high quality automobile float glass in Mt. Zion, Illinois, the U.S.. Fuyao Illinois Inc. is owned as to 100% by Fuyao Glass America Inc.

The Company invested USD114 million during the Reporting Period and the accumulated actual investments of the Company amounted to USD768 million as at December 31, 2017. The investments were mainly funded by proceeds from fund raising and borrowings of the Company. Currently, the designed capacity of each of Fuyao Glass America Inc. and Fuyao Illinois Inc. has been fulfilled.

In 2017, Fuyao Glass America Inc. (including its wholly-owned subsidiaries) recorded an operating revenue of USD318,996,700 and a net profit of USD754,500, achieving a turnaround from loss to profit.

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	Impacted amounts on current profits
Forward foreign exchange contracts	1,951,267	**-332,708**	-2,283,975	-2,283,975
Currency swap contracts	–	**-18,762,211**	-18,762,211	-18,762,211
Short call on foreign exchange	–	**-534,000**	-534,000	–
Structure financial product *(note 1)*	–	**101,927,854**	101,927,854	1,927,854
Total	1,951,267	**82,298,935**	80,347,668	-19,118,332

Notes:

1. It represents principal-guaranteed wealth management products with the closing balance of gains of the Company linked with J.P. Morgan MOZAIC WEEKLY Index.

2. 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

On February 24, 2017, the twelfth meeting of the eighth session of the Board of Directors considered and adopted the Resolution in relation to the Disposal of Assets and Connected Transactions by the Company, transferring the right to use state-owned land, one industrial workshop and auxiliary facilities located in District II of Fuyao Industrial Zone, Taicheng Farm, Shizhu Street, Fuqing City to Fujian Triplex Automotive Trim System Co., Ltd. The total price of the asset transfer was determined to be RMB28,262,200 after the deduction of the unaudited depreciation and the amortization of intangible assets of the transferred object from the base date of assets assessment (December 31, 2016) to January 31, 2017, totaling RMB111,900, with reference to the assessed value of the transaction object totaling RMB28,374,100 as at December 31, 2016. The total amount had been collected by the disclosure date of the report. This disposal of assets increased the Company's pretax profits for the year of 2017 by RMB9,686,200 (excluding land value-added tax), accounting for 0.26% of the Company's total profit for the year of 2017. This disposal didn't constitute severe impacts on the financial conditions and operation results of the Company, impair the interests of the Company and its shareholders, especially the non-connected shareholders, or cause adverse effects on its ability to continue as a going concern.

For detailed contents, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in relation to Disposal of Assets by the Company dated February 25, 2017 as published on Shanghai Securities News, China Securities Journal, Securities Times and the website of the Shanghai Stock Exchange (www.sse.com.cn), and the announcement on Connected Transaction Transfer of Assets including State-Owned Land Use Right, Industrial Plant and Ancillary Facilities dated February 25, 2017 as published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Section VI Management Discussion and Analysis

(VI) Analysis on principal holding and investee companies

Unit: 0'000 Currency: RMB

Company	Business nature	Major products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Fujian Wanda Automobile Glass Industry Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	74,514.95	283,060.24	184,524.75	249,465.17	92,639.15	83,729.79
Fuyao Group Changchun Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	30,000.00	126,195.33	76,790.68	186,031.36	38,002.54	32,678.82
Fuyao Group (Shanghai) Automobile Glass Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	USD 68,048,800	365,226.05	122,245.07	299,803.75	58,533.48	53,966.14
Shanghai Fuyao Bus Glass Co., Ltd.	Manufacturing enterprise	Production of special glass and sale of self-produced products	20,000.00	140,707.23	62,679.56	178,527.54	41,467.05	35,702.90
Guangzhou Fuyao Glass Co., Ltd.	Manufacturing enterprise	Production of special glass made of inorganic nonmetallic materials and products	USD 75,000,000	258,515.55	102,413.22	213,018.98	45,336.73	38,750.24
Chongqing Wansheng Float Glass Co., Ltd.	Manufacturing enterprise	Production and sale of float glass and related glass products	30,000.00	91,114.69	69,381.18	89,705.47	40,326.82	34,429.18
Fuyao Glass America Inc[(1)]	Manufacturing enterprise	Production and sale of automotive glass products	USD 330,000,000	550,196.98	30,026.96	214,863.43	-93.42	508.23

Note: (1) The aforesaid figures for Fuyao Glass America Inc. represent the combined figures including its wholly-owned subsidiaries, namely Fuyao Illinois Inc. (福耀伊利諾伊有限公司) and Fuyao Asset Management C, LLC (福耀美國C資產公司). Based on such standard of statistics, the total assets and net assets of Fuyao Glass America Inc. as at June 30, 2017 were RMB5,460,896,100 and RMB258,842,800, respectively, and its operating revenue, operating profit and net profit for the period from January to June of 2017 were RMB906,950,100, RMB-75,546,600 and RMB-47,946,200, respectively. As shown from the table above, the US investment project (namely Fuyao Glass America Inc., Fuyao Illinois Inc. and Fuyao Asset Management C, LLC) realized a turnaround from loss to profit by achieving a net profit of RMB5,082,300 in 2017.

Section VII Significant Events

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

(I) Formulation, implementation or adjustments of cash dividend policies

1. Cash dividend policies of the Company:

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

   In 2014, in accordance with the relevant requirements under the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (CSRC Notice [2013] No. 43) (《上市公司監管指引第3號 – 上市公司現金分紅》)(證監會公告[2013]43號) issued by the CSRC, the Company amended its cash dividend policies as set forth in the Articles of Association (For details, please refer to http://www.sse.com.cn).

   The Profit Distribution Plan for Shareholders for the Coming Three Years (2015–2017) was announced in the announcement published by the Company on February 17, 2015 (For details such as the specific distribution policies, please refer to http://www.sse.com.cn).

2. During the Reporting Period, the Company carried out profit distribution for 2016, and on the basis of 2,508,617,532 shares of total issued share capital of the Company, cash dividends of RMB7.50 (tax inclusive) for every 10 shares were declared, with total dividends amounting to RMB1,881,463,149. The distribution date of cash dividends of A shares was May 15, 2017, and the distribution date of cash dividends of H shares was June 16, 2017.

(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

Year	Bonus share for every 10 shares *(share)*	Dividend for every 10 shares *(RMB) (tax inclusive)*	Conversion into share capital for every 10 shares *(share)*	Amount of cash dividends *(tax inclusive)*	Net profit attributable to shareholders of ordinary shares of the Listed Company in the consolidated statements for the dividend year	Percentage of net profit attributable to shareholders of ordinary shares of the Listed Company in the consolidated statements *(%)*
2017	0	7.5	0	1,881,463	3,148,221	59.76
2016	0	7.5	0	1,881,463	3,143,449	59.85
2015	0	7.5	0	1,881,463	2,604,697	72.23

Section VII Significant Events

II. PERFORMANCE OF UNDERTAKINGS

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

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly
Other undertakings	Dividend distribution	Fuyao Glass Industry Group Co., Ltd.	The dividend distribution plan for the shareholders for the upcoming three years (2015–2017) is as follows:1. Form of profit distribution: provided that the relevant stipulations and conditions under the relevant laws, regulations, normative documents, the Articles of Association and this plan are complied with and that the continuity and stability of the profit distribution plan is ensured, the Company may distribute dividends by way of cash, shares, the combination of cash and shares or any other distribution methods as permitted under relevant laws and regulations. The profit distribution of the Company shall neither exceed the accumulated distributable profit nor impair the Company's ability to continue as a going concern. Among the profit distribution methods, the Company shall preferentially distribute in the form of cash over shares. Where the Company fulfills the conditions for dividend distribution in the form of cash, the Company shall distribute dividends by way of cash. Where the Company distributes profit in the form of shares, the decision shall be made based on true and reasonable factors such as the growth of the Company and the dilution of net assets per share. 2. Interval of profit distribution: if the Company has generated profit and its accumulated undistributed profit is a positive figure in the year, the Company shall distribute profit at least once a year. The Company may make interim profit distribution by way of cash. In the upcoming three years, the Board of Directors of the Company may propose to the Company an interim dividend distribution in accordance with the profit scale, cash flow, development stage and demand for funds of the Company in the year. 3. Specific conditions for and the minimum proportion of dividend distribution by way of cash: in the event that the Company has no material investment plans or substantial capital expenditure (excluding investment projects financed with proceeds) and the Company has generated profit and its accumulated undistributed profit is a positive figure in the year, the Company shall distribute dividend in the form of cash and the profit distributed by this way for the year shall not be less than 20% of the distributable profit realized in the year, provided, however, that the sustainable operations and long-term development of the Company are ensured. The Board of Directors shall devise a proposal on the specific proportion of dividend distribution for each year in accordance with the profit of the Company for the year and plans for the utilization of future funds. 4. Specific conditions for dividend distribution by way of shares: provided that good conditions for operations and growth of the Company are ensured and that the Board of Directors considers there is a mismatch between the scale of the Company's share capital and, inter alia, the earnings per share, share price and net assets per share, and under the premise that the Company fulfills the requirements above for cash dividend distribution, the Company may distribute profit by way of shares. In determining the specific amount of profit distribution in the form of shares, the Company shall fully take into account whether the total share capital after the distribution of share dividends is in line with, inter alia, the current operational scale, pace of profit growth and dilution of net assets per share of the Company and consider its impact on future debt financing costs, in a bid to ensure that the profit distribution plan is in line with the overall and long term interests of the shareholders as a whole. 5. Differentiated cash dividend policy: the Board of Directors shall distinguish the following circumstances having taken into account its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangements, and propose differentiated cash dividend policies in accordance with the procedures set out in the Articles of Association: (1) Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution during the profit distribution; (2) Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution during the profit distribution; (3) Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution during the profit distribution; If it is difficult to determine the Company's stage of development while it has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the rules applied in the previous distribution. 6. In the event that the Company has realized profit in the previous financial year but the Board of Directors of the Company did not propose any cash dividend distribution plan at the end of the previous financial year, the Company shall seek advice from the independent directors and shall disclose in the periodic reports the reasons for not proposing the cash dividend plan, the use of undistributed funds accumulated in the Company, and the independent directors shall present independent opinions and disclose the same to the public. 7. The formulation and execution of the profit distribution plan: the Board of Directors shall propose a profit distribution plan and submit the same to the general meeting for consideration at the end of each financial year. The Company accepts the advice and supervision of all shareholders, independent directors and the Board of Supervisors on the Company's profit distribution plan. After the decision for the profit distribution plan has been reached at the general meeting of the Company, the Board of Directors of the Company shall complete the distribution of dividends (or shares) within 2 months upon the convening of the general meeting.	Date of announcement of the undertaking: March 12, 2015, term of performance of the undertaking: January 1, 2015 to December 31, 2017	Yes	Yes

Section VII Significant Events

1. Non-competition

In order to eliminate any future competition with the Company, each of Mr. Cho Tak Wong, Ms. Chan Fung Ying (Mr. Cho Tak Wong's spouse and the controlling shareholder of Yaohua), Sanyi Development Ltd. ("Sanyi"), Home Bridge Overseas Limited ("Home Bridge") 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 our 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 core 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, Home Bridge 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 each of the above-mentioned substantial shareholders to present a written confirmation ("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 annual review process. In the annual review conducted to determine whether the above-mentioned substantial shareholders have fully complied with such Non-Competition Undertakings in 2017, the Audit Committee of the Company understood that (1) the substantial shareholders declared that they had fully complied with the Non-Competition Undertakings for the financial year ended December 31, 2017; (2) no new competing business was reported by such substantial shareholders in 2017; (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, 2017.

III. 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	348
Term of audit of the domestic accounting firm	16
Name of the overseas accounting firm	PricewaterhouseCoopers
Remuneration of the overseas accounting firm	104
Term of audit of the overseas accounting firm	3

	Name	Remuneration
Accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)	73

Explanation for changes in the appointment of accounting firm during the audit period

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

Section VII Significant Events

IV. MATERIAL LITIGATION AND ARBITRATION

The Company has no material litigation or arbitration for the year.

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

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

VI. SUBSTANTIAL CONNECTED TRANSACTIONS

(I) 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 the following connected persons (as defined in the Hong Kong Listing Rules):

(1) Fujian Yaohua Industrial Village Development Co., Ltd.

(2) Global Cosmos German Limited

(3) Fuzhou Fuyao Mold Development Co., Ltd.

(4) Fujian Triplex Automotive Trim System Co., Ltd.(formerly known as Fujian Triplex Auto Parts Development Co., Ltd.)

(5) Fujian Triplex Auto Services Co., Ltd.

Fujian Yaohua Industrial Village Development Co., Ltd. is indirectly wholly-owned by Mr. Cho Tak Wong, the chairman of the Board of Directors of the Company, and his spouse, Ms. Chan Fung Ying. Global Cosmos German Limited is wholly-owned by Mr. Cho Tak Wong. The two aforementioned companies are associates of Mr. Cho Tak Wong and Mr. Tso Fai, the son of Mr. Cho Tak Wong and a non-executive director of the Company. Fuzhou Fuyao Mold Development Co., Ltd., Fujian Triplex Automotive Trim System Co., Ltd. and Fujian Triplex Auto Services Co., Ltd. are all controlled by Mr. Tso Fai, and therefore are all associates of Mr. Tso Fai. In accordance with the rules under Chapter 14A of the Hong Kong Listing Rules, the above-mentioned companies are connected persons of the Company, and their transactions with the Company constituted continuing connected transactions of the Company.

1. Continuing connected transactions

(1) Given that the previous lease contract expired on December 31, 2015, the Company entered into a new lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. on October 26, 2015 to continue the lease of properties from Fujian Yaohua Industrial Village Development Co., Ltd. for the three years ending December 31, 2018.

In 2017, the Company expected that the original leasing areas for 2017 and 2018 under the existing lease contract would not be able to satisfy the needs of its business development. Therefore, on August 4, 2017, the Company entered into a new lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. 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.

Section VII Significant Events

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, the liquidity of the Company's assets, 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: (1) The Company will lease the warehouse on underground floor 1, the staff cafeteria and club and staff dormitory of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I of Yaohua Industrial Village located at Honglu Town, Fuqing, Fujian Province. (2) The annual rent shall be settled in two installments, which consist of the rent for the first half of the year payable prior to the 15th of January for each calendar year and the rent for the second half of the year payable prior to the 15th of July for each calendar year, respectively. For details of the terms and conditions, please refer to the announcement titled "Renewal of the Continuing Connected Transaction under the Lease Contract" and the announcement titled "Adjustment to the Annual Caps of the Continuing Connected Transactions in Relation to the Property Leases With Yaohua Industrial Village" disclosed on October 26, 2015 and August 5, 2017 by the Company on the Hong Kong Stock Exchange and on the website of the SSE, respectively.

For the year ended December 31, 2017, the approved annual caps and the amount of transaction incurred in relation to the non-exempt continuing connected transactions contemplated under the above contract between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates are set out as below:

Nature of the transaction	**Annual caps on transactions in 2017**	**Consolidated amount of transactions in 2017**
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 RMB21,700,000	RMB21,183,600
Total	**Approximately RMB21,700,000**	**RMB21,183,600**

Note: The relevant annual caps were determined after taking into account the following factors: (i) the historical transaction amounts; (ii) the prevailing market price of the comparable properties in the place where the leased properties are located; and (iii) the increased leasing area due to the needs of the Company's business expansion.

Section VII Significant Events

(2) On October 29, 2016, the Company entered into the supply of goods framework agreement with Fuzhou Fuyao Mold Development Co., Ltd. and Fujian Triplex Automotive Trim System Co., Ltd. for the purchase of certain molding and testing equipment and certain raw and auxiliary materials for production, with a term from January 1, 2017 to December 31, 2017.

The aim of entering into the supply of goods framework agreement by the Company and Fuzhou Fuyao Mold Development Co., Ltd. and Fujian Triplex Automotive Trim System Co., Ltd. and conducting relevant continuing connected transactions is to satisfy the needs of the Company's normal production and operation and fully utilize the synergies between the Company and the connected persons, which is beneficial to the promotion of the Company's sound and sustainable development. The supply price was negotiated and determined with regard to the fair, impartial, open and reasonable principles and with reference to market price. The Group will make reference to contemporaneous transactions with third parties with similar transaction subjects and numbers to determine if the price and transaction terms offered by Fuzhou Fuyao Mold Development Co., Ltd. and Fujian Triplex Automotive Trim System Co., Ltd. are fair and reasonable and not less favorable than those of the transactions between the Group and independent third parties. For details of the terms and conditions, please refer to the announcement titled "The Continuing Connected Transactions under the 2017 Supply of Goods Framework Agreements and the 2017 Distribution Agreements" disclosed on October 31, 2016 by the Company on the Hong Kong Stock Exchange.

For the year ended December 31, 2017, the approved annual caps and the amounts of transactions incurred in relation to non-exempt continuing connected transactions under the framework agreements between the Company and Fuzhou Fuyao Mold Development Co., Ltd. and Fujian Triplex Automotive Trim System Co., Ltd. and/or their respective associates for the above services are set out as below:

Nature of the transaction	**Annual caps on transactions in 2017**	**Consolidated amount of transactions in 2017**
Expenses of the Company arising from purchasing molding and testing equipment supplied by Fuzhou Fuyao Mold Development Co., Ltd. and/or its associates under the supply of goods framework agreements	RMB200,000,000	RMB153,692,200
Expenses of the Company arising from purchasing raw and auxiliary materials supplied by Fujian Triplex Automotive Trim System Co., Ltd. and/or its associates under the supply of goods framework agreements	RMB120,000,000	RMB77,031,900
Total	**RMB320,000,000**	**RMB230,724,100**

Note: The above annual caps were determined in accordance with purchase and sales plans of the Company and market fair prices of the relevant products to be purchased.

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(3) On October 29, 2016, the Company entered into the products purchase framework agreement with Fujian Triplex Automotive Trim System Co., Ltd., pursuant to which the Group would supply certain finished products and raw and auxiliary materials to Fujian Triplex Automotive Trim System Co., Ltd., with a term from January 1, 2017 to December 31, 2017.

The aim of entering into the products purchase framework agreement and conducting relevant continuing connected transactions by the Company and Fujian Triplex Automotive Trim System Co., Ltd. is to satisfy the needs of the Company's normal production and operation and fully utilize the synergies between the Company and the connected persons, which is beneficial to the promotion of the Company's sound and sustainable development. The supply price was negotiated and determined with regard to the fair, impartial, open and reasonable principles and with reference to market price. The Group will make reference to contemporaneous transactions with third parties with similar transaction subjects and numbers to determine if the price, guarantees, interests and other conditions offered to Fujian Triplex Automotive Trim System Co., Ltd. are fair and reasonable. For details of the terms and conditions, please refer to the announcement titled "The Continuing Connected Transactions under the 2017 Supply of Goods Framework Agreements and the 2017 Distribution Agreements" disclosed on October 31, 2016 by the Company on the Hong Kong Stock Exchange.

For the year ended December 31, 2017, the approved annual caps and the amount of transactions incurred in relation to non-exempt continuing connected transactions under the framework agreements between the Company and Fujian Triplex Automotive Trim System Co., Ltd. and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transactions in 2017	Consolidated amount of transactions in 2017
Revenue of the Company generated from supply of raw and auxiliary materials to Fujian Triplex Automotive Trim System Co., Ltd. and/or its associates under the products purchase framework agreement	RMB17,000,000	RMB14,206,700
Total	**RMB17,000,000**	**RMB14,206,700**

Note: The above annual caps were determined in accordance with historical sales, future market demand projection and sales plans of Fujian Triplex Automotive Trim System Co., Ltd. and the Company for 2017.

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(4) On October 29, 2016, the Company and Fujian Triplex Auto Services Co., Ltd. entered into a master distribution framework agreement, under which the Company had authorized Fujian Triplex Auto Services Co., Ltd. to use its trademark and brand name at nil consideration and supplied Fujian Triplex Auto Services Co., Ltd. with products, for a validity term from January 1, 2017 to December 31, 2017.

The aim of entering into the master distribution framework agreement and conducting relevant continuing connected transactions by the Company and Fujian Triplex Auto Services Co., Ltd. is to accelerate the increase of the Company's share in the domestic auto parts market, to meet the Company's product sales needs and to fully utilize the synergies between the Company and the connected persons, which is beneficial for the sound and sustainable development of the Company. The Company will adopt the following specific measures to ensure that the prices offered to Fujian Triplex Auto Services Co., Ltd. are on normal commercial terms and are fair and reasonable: the selling prices will be determined by the sales department of the Company in accordance with the product costs and with reference to the information collected by the Company's sales department in relation to market prices of the same or similar products (the "Base Price"); the Company's sales department will make adjustment to the Base Price in accordance with the market competitions on sales of similar ARG products (the "Adjusted Price"); and the Adjusted Price will constitute the basis for the Company's negotiation of the selling prices with Fujian Triplex Auto Services Co., Ltd. and based on such negotiation, the "Price List of Supplying Goods" will then be formulated. Based on the procedures above, the Company will ensure that the average selling prices offered to Fujian Triplex Auto Services Co., Ltd. shall not be lower than the market prices of the same or similar products in the domestic after-sale market based on the market information collected by the Company. For details of the terms and conditions, please refer to the announcement titled "The Continuing Connected Transactions under the 2017 Supply of Goods Framework Agreements and the 2017 Distribution Agreements" disclosed on October 31, 2016 by the Company on the Hong Kong Stock Exchange.

For the year ended December 31, 2017, the approved annual caps and the amount of transactions incurred in relation to non-exempt continuing connected transactions under the framework agreements between the Company and Fujian Triplex Auto Services Co., Ltd. and/or its associates for the above services are set out as below:

Nature of the transaction	**Annual caps on transactions in 2017**	**Consolidated amount of transactions in 2017**
Revenue of the Company generated from supply of products to Fujian Triplex Auto Services Co., Ltd. and/or its associates under the master distribution framework agreement	RMB500,000,000	RMB414,380,700
Total	**RMB500,000,000**	**RMB414,380,700**

Note: The above annual caps were determined in accordance with historical sales, future market demand projection and sales plans of Fujian Triplex Auto Services Co., Ltd., and the Company for 2017.

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(5) On October 25, 2017, the Company and Fuzhou Fuyao Mold Technology Co., Ltd. entered into a supply of goods framework agreement to purchase molds and gauges; the Company and Fujian Triplex Automotive Trim System Co., Ltd. entered into a supply of goods framework agreement to purchase certain raw and auxiliary materials for production; the Company and Fujian Triplex Auto Services Co., Ltd. entered into a master distribution framework agreement, under which the Company has authorized Fujian Triplex Auto Services Co., Ltd. to use its trademark and brand name at nil consideration and supplied Fujian Triplex Auto Services Co., Ltd. with products; the Company and Fujian Triplex Automotive Trim System Co., Ltd. entered into a product purchase framework agreement to sell certain finished products and raw and auxiliary materials. The terms of the above agreements are all from January 1, 2018 to December 31, 2018. For details of the terms and conditions, please refer to the announcement titled "The Continuing Connected Transactions under the 2018 Supply of Goods Framework Agreements and the 2018 Distribution Agreements" disclosed on October 26, 2017 by the Company on the Hong Kong Stock Exchange and the website of the SSE.

(6) 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 57,809.05 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 and from the second year onwards, the annual rent shall increase progressively at 2.5% for each year.

The new 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.

The independent non-executive directors of the Company have reviewed the above Nos. 1 to 4 continuing connected transactions conducted in 2017 and confirmed that the above connected transactions were:

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

b. 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

c. 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 Nos. 1 to 4 continuing connected transactions conducted in 2017 from PricewaterhouseCoopers, the auditor of the Company, confirming with respect to the above continuing connected transactions as at December 31, 2017 that:

a. 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;

b. 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;

c. 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 relevant agreements; and

d. nothing has come to the auditors' attention that causes the auditors to believe that the amounts of the transactions exceeded the annual caps set by the Company.

2. One-off connected transactions

(1) On February 24, 2017, the Company entered into an assets transfer contract with Fujian Triplex Automotive Trim System Co., Ltd., pursuant to which the Company will transfer certain assets to Fujian Triplex Automotive Trim System Co., Ltd., including the state-owned land use right of one parcel of land, an industrial plant and certain ancillary facilities located in the plant area of the Company in District II of Fuyao Industrial Zone, Taicheng Farm, Shizhu Street, Fuqing City. The Company has engaged Fujian Zhongxing Assets and Real Estate Appraisal Co., Ltd. to appraise the subject assets. Upon negotiation between the Company and Fujian Triplex Automotive Trim System Co., Ltd. with reference to the appraised value, the total consideration for the assets transfer was determined at RMB28,262,200. As at the disclosure date of this report, the payment has been fully settled.

The assets transfer will allow the Company to further optimize and adjust its assets structure, increase its liquidity and generate certain gains. For details of the terms and conditions, please refer to the announcement titled "Connected Transaction Transfer of Assets Including State-Owned Land Use Right, Industrial Plant and Ancillary Facilities" disclosed on February 25, 2017 by the Company on the Hong Kong Stock Exchange.

(2) In order to consolidate its resources to develop its core business of automotive glass and to foster the fine-tuning and optimization of its asset structure, the Company sold certain inventory molds and gauges and other equipment to Fujian Triplex Automotive Trim System Co., Ltd.. The assets have been transferred by the Company at the carrying amount of RMB2,603,200. As calculated individually, the highest applicable percentage ratio (among the assets ratio, revenue ratio and consideration ratio) in respect of the transaction is less than 0.1% on an annual basis, and therefore the transaction is fully exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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(II) Connected transactions in relation to ordinary business operations (disclosed in accordance with the requirements of the SSE)

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

Description of the matter	Inquiry index
The Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2017, the Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Fujian Triplex Auto Parts Development Co., Ltd. for the Year 2017, the Resolution in Relation to Projected Continuing Connected Transactions between the Company and Fujian Triplex Auto Services Co., Ltd. for the Year 2017, the Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Fuzhou Fuyao Mold Technology Co., Ltd. for the Year 2017, the Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Fuyao Group Shuangliao Co., Ltd. from September to December 2016 and for the Year 2017 were considered and approved at the tenth meeting of the eighth session of the Board of Directors convened on October 29, 2016.	For details, please refer to the Announcement on the Continuing Connected Transactions of Fuyao Glass Industry Group Co., Ltd. and the Announcement in Relation to the Increase of Projected Continuing Connected Transactions between the Company and Fujian Triplex Machinery Technology Co., Ltd. for the Year 2016 dated October 31, 2016 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 Continuing Connected Transactions under the 2017 Supply of Goods Framework Agreements and the 2017 Distribution Agreements dated October 31, 2016 as published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).
The Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2018, the Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2018, the Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Fujian Triplex Automotive Trim System Co., Ltd. for the Year 2018, the Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Fujian Triplex Auto Services Co., Ltd. for the Year 2018, the Resolution in Relation to the Projected Continuing Connected Transactions between the Company and Fuzhou Fuyao Mold Technology Co., Ltd. for the Year 2018, the Resolution in Relation to the Lease of Properties by Fuyao Europe GmbH, a Wholly-Owned Subsidiary of the Company from Global Cosmos German Limited were considered and approved at the sixteenth meeting of the eighth session of the Board of Directors convened on October 25, 2017.	For details, please refer to the Announcement on the Continuing Connected Transactions of Fuyao Glass Industry Group Co., Ltd. and the Announcement of Fuyao Glass Industry Group Co., Ltd. on Continuing Connected Transaction in Relation to Leasing of Property by Its Wholly-Owned Subsidiary dated October 26, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (http://www.sse.com.cn), and the Continuing Connected Transactions under the 2018 Supply of Goods Framework Agreements and the 2018 Distribution Agreements 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).

Note: Fujian Triplex Auto Parts Development Co., Ltd. has changed its name to Fujian Triplex Automotive Trim System Co., Ltd.; and Fuyao Group Shuangliao Co., Ltd. has changed its name to Jinken Glass Industry Shuangliao Co., Ltd.

Section VII Significant Events

2. Matters that have been disclosed in temporary announcements and have developments or changes in subsequent implementation

The Resolution in Relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company was considered and approved at the sixth meeting of the eighth session of the Board of Directors of the Company convened on October 26, 2015. The Company has leased the warehouse on underground floor 1, staff cafeteria and club and staff dormitory of Districts I and II of Fuyao Industrial Zone and the standard plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a total area of 138,281.86 m^2 from Fujian Yaohua Industrial Village Development Co., Ltd. at a monthly rent of RMB1,797,664.18, aggregating to an annual rent of RMB21,571,970.16. The term of the lease is three years from January 1, 2016 to December 31, 2018. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to the Lease of Properties dated October 27, 2015 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the Securities Daily, and on the website of the SSE (http://www.sse.com.cn) and the Announcement on Renewal of the Continuing Connected Transaction under the Lease Contract dated October 27, 2015 as published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

Upon confirmation by both parties, the total leased area has been adjusted from 138,281.86 m^2 to 133,598.20 m^2 and the monthly rent has been adjusted from RMB1,797,664.18 to RMB1,736,776.60 starting from April 1, 2016.

Upon confirmation by both parties, the total leased area has been adjusted from 133,598.20 m^2 to 133,397.68 m^2 and the monthly rent has been adjusted from RMB1,736,776.60 to RMB1,734,169.84 starting from July 1, 2016.

Upon confirmation by both parties, the total leased area has been adjusted from 133,397.68 m^2 to 136,004.63 m^2 and the monthly rent has been adjusted from RMB1,734,169.84 to RMB1,768,060.19 starting from January 1, 2017.

Upon confirmation by both parties, the total leased area has been adjusted from 136,004.63 m^2 to 138,281.86 m^2 and the monthly rent has been adjusted from RMB1,768,060.19 to RMB1,797,664.18 starting from June 1, 2017.

As the Company need to increase leasing areas with the increasingly expanded production scale, the Company leased the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province from September 1, 2017, with an area of 2,387 square meters from Yaohua Industrial Village at the rent of RMB13 per square meter per month or RMB31,031 per month. Upon such increase, the total area leased by the Company from Yaohua Industrial Village for the period from September to December 2017 and the year 2018 is 140,668.86 m^2, and the monthly rent is RMB1,828,695.18. For details, please refer to the Announcement on the Connected Transactions in Respect of Property Leases of Fuyao Glass Industry Group Co., Ltd. dated August 5, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the websites of the SSE (http://www.sse.com.cn), and the Adjustments to the Annual Caps of the Continuing Connected Transactions in Relation to the Property Leases with Yaohua Industrial Village dated August 5, 2017 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 2017 are as below:

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Nature of the connected transaction	Details of the connected transaction	Pricing principle of the connected transaction	Estimated amounts in 2017	Actual amounts in 2017	Percentage of amount of the same type of transactions (%)	Settlement method of the connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Purchase of goods and equipment	Procurement of raw materials	Market price	14,000.00	8,788.21	52.50	30 days upon the invoice date
Fujian Triplex Automotive Trim System Co., Ltd.	Others	Purchase of goods and equipment	Procurement of raw materials	Market price	12,000.00	7,703.19	46.02	60 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Purchase of goods and equipment	Procurement of raw materials	Market price	10,000.00	246.74	1.47	60 days upon the invoice date
Fuzhou Fuyao Mold Development Co., Ltd.	Others	Purchase of goods and equipment	Procurement of molds and gauges	Market price	20,000.00	15,369.22	100.00	Prepaid 25% of the total amount upon signing the contract
Fujian Triplex Automotive Trim System Co., Ltd.	Others	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	1,700.00	1,420.67	3.31	45 days upon the invoice date
Fujian Triplex Auto Services Co., Ltd.	Others	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	50,000.00	41,438.07	96.64	Invoicing each month with a credit period of 2 months
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sale of goods	Sale of raw and auxiliary materials	Market price	20.00	18.76	0.04	60 days upon the invoice date
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	104.07	33.89	30 days upon the invoice date
Fujian Triplex Automotive Trim System Co., Ltd.	Others	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	100.00	179.59	58.48	30 days upon the invoice date
Fuzhou Fuyao Mold Development Co., Ltd.	Others	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	80.00	23.42	7.63	30 days upon the invoice date
Fujian Triplex Automotive Trim System Co., Ltd.	Others	Other inflows	Revenue from property leasing	Market price	322.00	76.65	92.77	Settlement semiannually
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from property leasing	Market price	7	5.97	7.23	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from management consultation	Agreed price	300.00	190.79	100.00	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	2,170.00	2,118.36	100.00	Settlement semiannually
Total					**110,829.00**	**77,683.71**		

Section VII Significant Events

Notes:

1. Fujian Triplex Auto Parts Development Co., Ltd. changed its name to Fujian Triplex Automotive Trim System Co., Ltd. in December 2016;

2. Fuyao Group Shuangliao Co., Ltd. changed its name to Jinken Glass Industry Shuangliao Co., Ltd. in November 2016;

3. The great differences between the estimated amounts and the actual amounts in respect of purchase between the Company and Jinken Glass Industry Shuangliao Co., Ltd. in 2017 were mainly due to the delay in the cold repair of Jinken Glass Industry Shuangliao Co., Ltd.;

4. The actual amounts in respect of sale of water and electricity between the Company and Fujian Triplex Automotive Trim System Co., Ltd. in 2017 were higher than the estimated amounts. However, as the transaction amount is relatively small, according to the relevant provisions of the Rules Governing the Listing of Securities on the SSE and the Articles of Association, such connected transaction is exempted from obtaining approval from the Board of Directors of the Company.

3. Matters not disclosed in temporary announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Nature of the connected transaction	Details of the connected transaction	Pricing principle of the connected transaction	Amounts of the connected transaction	Percentage of the amounts of same type of transactions *(%)*	Settlement method of the connected transaction
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	3.18	0.01	Settle in the current month
Total				/	3.18	0.01	/

Note to the connected transaction	As the transaction amount arising from sale of finished goods and raw and auxiliary materials between the Company and Jinken Glass Industry Shuangliao Co., Ltd. is relatively small, according to the relevant provisions of the Rules Governing the Listing of Securities on the SSE and the Articles of Association, such connected transaction is exempted from obtaining approval from the Board of Directors of the Company.

Section VII Significant Events

(III) Connected transactions arising from the acquisition and disposal of assets or equity interests

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

Description of the matter	Inquiry index
To further optimize and adjust its assets structure and increase its liquidity, the Company transferred the assets including the state-owned land use right of one parcel of land located in the District II of Fuyao Industrial Zone, Taicheng Farm, Shizhu Street, Fuqing City, an industrial plant and the ancillary facilities to Fujian Triplex Automotive Trim System Co., Ltd. at a total transfer consideration of RMB28,262,200 (tax inclusive). As at the disclosure date of this report, all payments have been received.	For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Disposal of Assets by the Company dated February 25, 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 Announcement on Connected Transaction Transfer of Assets Including State-Owned Land Use Right, Industrial Plant and Ancillary Facilities as published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. Matters not disclosed in temporary announcements

Unit: Yuan Currency: RMB

Connected party	Connected relationship	Nature of the connected transaction	Details of the connected transaction	Pricing principle of the connected transaction	Carrying amount of the transferred assets	Transfer price	Settlement method of the connected transaction	Gains on the transferred assets
Fujian Triplex Automotive Trim System Co., Ltd.	Others	Sale of assets other than goods	Sale of equipment	Net carrying amount	260.32	260.32	60 days upon the invoice date	0

Note to the connected transactions contemplated under the acquisition and disposal of assets

In order to consolidate its resources to develop its core business of automotive glass and to foster the fine-tuning and optimization of its asset structure, the Company sold certain molds and gauges and other equipment to Fujian Triplex Automotive Trim System Co., Ltd. As the transaction amount is relatively small, according to the relevant provisions of the Rules Governing the Listing of Securities on the SSE and the Articles of Association, such connected transaction is exempted from obtaining approval from the Board of Directors of the Company.

Section VII Significant Events

(IV) Amounts due to or from connected parties

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

At the twelfth meeting of the eighth session of the Board of Directors held on February 24, 2017, the Resolution in Relation to Provision of Loans to Jinken Glass Industry Shuangliao Co., Ltd. by the Company and Its Domestic Subsidiaries and the Resolution on Connected Transaction in Relation to Provision of Guarantees by the Company for Loans of Jinken Glass Industry Shuangliao Co., Ltd. were considered and approved. At the 2016 annual general meeting held on April 26, 2017, the Resolution on Connected Transaction in Relation to Provision of Guarantees by the Company for Loans of Jinken Glass Industry Shuangliao Co., Ltd. was considered and approved, which agreed the Company and its subsidiaries in the PRC providing loans to Jinken Glass Industry Shuangliao Co., Ltd. ("Jinken Glass"), with the amounts not more than RMB90,000,000, the term not more than 24 months and the interest rate no less than the RMB benchmark loan interest rate for financial institutions published by the PBOC for the corresponding period, and the Company offering guarantees for loans of Jinken Glass granted by financial institutions, with the amounts of guarantees in aggregate with loans of Jinken Glass granted by the Company and its subsidiaries not more than RMB190,000,000. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loan to Connected Parties and the Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to Connected Guarantees dated February 25, 2017 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).

In order to speed up the progress of Jinken Glass project and enable Jinken Glass to stably provide raw materials to the Company as soon as possible, the Company adjusted the amount of loans granted by the Company and its subsidiaries 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 no less than the Renminbi benchmark loan interest rate for financial institutions published by the PBOC for the corresponding period. The Resolution has been considered and approved at the fifteenth meeting of the eighth session of the Board of Directors held on August 4, 2017. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loan to Connected Parties dated August 5, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

As at the date of this report, the Company has lent RMB190,000,000 in total to Jinken Glass.

Section VII Significant Events

VII. 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	142,615.60
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	135,684.00
Total amount of guarantees of the Company (including guarantees to subsidiaries)	
Total amount of guarantees (A+B)	135,684.00
Total amount of guarantees as a percentage of the net assets of the Company *(%)*	7.14
Including:	
The amount of guarantees offered to the shareholders, de facto controller and connected parties (C)	0
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	0
The amount of guarantees in excess of 50% of net assets (E)	0
The sum of the three items above (C+D+E)	0
Explanation on guarantee	Foreign currencies are translated into RMB based on the exchange rates announced by the People's Bank of China as at December 29, 2017

(II) Cash and Assets Management by Entrusting

1. Entrusted wealth management

(1) Overall status of entrusted wealth management

Unit: Yuan Currency: RMB

Type	**Capital source**	**Amounts**	**Outstanding balance**	**Amounts overdue but not yet recovered**
Bank financial products	Self-owned resources	2,010,000,000.00	100,000,000.00	0

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(2) Individual entrusted wealth management

Unit: Yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Expiry date of entrusted wealth management	Capital source	Usage of funds	Method for determination of returns	Annualized returns	Estimated returns if any	Actual gains or losses	Actual recovery	Involved in a litigation or not
Fuyao Glass Industry Group Co., Ltd.	Principal guaranteed with floating returns	200,000,000.00	February 27, 2017	May 26, 2017	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other inter-bank and exchange financing instruments	Floating returns	4%	4%	1,928,767.12	Recovered	Yes
Fuyao Glass Industry Group Co., Ltd.	Principal guaranteed with floating returns	300,000,000.00	March 15, 2017	September 15, 2017	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other inter-bank and exchange financing instruments	Floating returns	4.5%	4.5%	6,805,479.45	Recovered	Yes

VIII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty Alleviation by the Listed 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

In 2017, 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 RMB207 million, including the following donations for targeted poverty alleviation:

- RMB12.5 million for Fujian Provincial Government to purchase superimposed medical insurance for registered poverty-stricken households;

Section VII Significant Events

- RMB10 million for 32 villages in the old revolutionary base areas in Guizhou, Hubei and Fujian to support the "Poverty Alleviation in Several Neighboring Villages" action jointly launched by Heren Charitable Foundation and the United Front Work Department in June 2016 and help 32 poverty villages to support the project of "poverty alleviation through development and production";

- RMB4 million for Changdu, Tibet to support people and livestock drinking water and farm irrigation engineering construction for 3 poverty villages including Chaya County and Basu County;

- RMB4 million for the Department of Education of Xinjiang Uygur Autonomous Region to purchase water purification equipment for 80 primary and middle schools in the poverty-stricken areas in southern Xinjiang to provide healthy water for teachers and students;

- RMB3.21 million for Guyuan, Ningxia to help poor students, provide blindness prevention surgery for poor cataract patients, and comfort seniors entitled to five guarantees;

- RMB3 million for the Overseas Chinese Affairs Office of the State Council to purchase portable solar TV for herdsmen in the remote areas in Qinghai Province;

- RMB2 million for Fujian Provincial Foundation for Disabled Persons to construct comfortable housing projects for the disabled people in Sanming;

- RMB2 million for Jizhou District, Jiangxi to construct dining halls for 10 primary and middle schools in rural areas;

- RMB2 million for Fuqing Charity Federation to provide relief for the vulnerable groups 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";

- RMB1.6 million each year for the 4-year scholarship of Fujian Agriculture and Forestry University;

- RMB1.5 million each year for the 5-year scholarship of Northwest Agriculture & Forestry University;

- RMB1 million for Taoyuan Village, Suichuan County, Jiangxi to construct the poverty relief tourism center of Taoyuan Village;

- RMB1 million for China Foundation for Guangcai Program to support the relief for the poverty stricken population in Liangshan, Sichuan;

- RMB300,000 for Fujian Overseas Chinese Federation to help poor students in Fujian Province.

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	4,811
2. Value of materials	
3. Number of poor people helped to be removed from administrative record for poverty registering *(Person)*	8,208
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	☑ Poverty alleviation through agriculture and forestry ☑ Poverty alleviation through tourism ☐ Poverty alleviation through E-commerce ☐ Poverty alleviation through assets income ☐ Poverty alleviation through science and technology ☑ Others
1.2 Number of industrial poverty alleviation projects	
1.3 Amount invested in industrial poverty alleviation projects	1,500
1.4 Number of poor people helped to be removed from administrative record for poverty registering *(Person)*	7,360
2. Poverty alleviation through shift of occupation	
Including: 2.1 Amount invested in vocational training	
2.2 Number of people participating in vocational training *(person/time)*	
2.3 Number of poor people helped to be removed from administrative record for poverty registering *(Person)*	
3. Poverty alleviation through relocation	
Including: 3.1 Number of relocated people helped to be employed *(Person)*	
4. Poverty alleviation through education	
Including: 4.1 Amount invested in subsidizing poor students	340
4.2 Number of students receiving allowance *(Person)*	800
4.3 Amount invested in improvement of education resources in poverty areas	600
5. Poverty alleviation through health enhancement	
Including: 5.1 Amount invested in medical and health resources in poverty areas	1,250
6. Poverty alleviation through ecological protection	

Section VII Significant Events

Index	Number and implementation information
Including: 6.1 Name of project	☐ Launching ecological protection and construction ☐ Establishing compensation for the ecological protection ☐ Creating ecological and public welfare positions ☐ Others
6.2 Amount invested	
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)*	
7.3 Amount invested in helping the poor disabled people	200
7.4 Number of poor disabled people funded *(person)*	
8. Poverty alleviation in the society	
Including: 8.1 Amount invested in poverty alleviation in the east and west parts of the country	
8.2 Amount invested in fixed-point poverty alleviation work	721
8.3 Poverty alleviation fund	

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 Industry Group Co. Ltd. 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 Home Bridge Overseas Limited, do not have any control over Heren Charitable Foundation, nor are they beneficiaries of the 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", 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.

Section VII Significant Events

(II) Social Responsibility

For details, please refer to the 2017 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. as published on the websites of the SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).

(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

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 100m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO_2 and NOx. 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, SO_2 and NOx with the emission concentration of 30.1mg/m^3, 186mg/m^3 and 523mg/m^3 respectively and the total permitted emission quantity of 44.658t/a, 325.872t/a and 523.452t/a respectively, and No. WSFQG0010336 discharge outlet discharges special pollutants including smoke, SO_2 and NOx with the emission concentration of 26.7mg/m^3, 149mg/m^3 and 493mg/m^3 respectively and the total permitted emission quantity of 31.441t/a, 217.248t/a and 348.968t/a respectively. The above emission concentrations are lower than the national emission standards, and the total emission quantity is lower than the total amount verified by the environmental protection authority.

The Company adheres to the equal emphasis on development and environment. In order to reduce the emission of air pollutants, and decrease the emission quantity of pollutants, Chongqing Float Glass has two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration with a designed treatment capacity of 100,000 m^3/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 to 80,000 m^3/hour.

2. Companies other than key pollutant discharging companies

(1) Float glass business division

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

Section VII Significant Events

Fuqing Float mainly produces high-quality float glass with three production lines with a daily melting capacity of 600 tons and Tongliao Float mainly produces high-quality float glass with two production lines with a daily melting capacity of 600 tons, both taking the natural gas as the production fuel. The exhaust gas produced in the natural gas burning will be discharged through 100m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO_2 and NOx. Fuqing Float implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

Fuqing Float has constructed three sets of dust removal and denitration facilities and Tongliao Float has built two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration with a designed treatment capacity of 100,000 m^3/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000~80,000 m^3/hour.

(2) Automotive glass business division

The production lines of the Company's automotive glass business division are mainly for production of laminated glass (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, BOD_5 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 15m 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 SHARE CAPITAL

(I) Table of changes in ordinary shares

1. Table of 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 respectively explain the bonds with different rates through the duration):

Upon approval of the "Zheng Jian Xu Ke [2016] No. 1539" from the CSRC, the Company is approved to carry out 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 publicly 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 off-line price consultations to the qualified investors. The coupon rate of the Bonds was 3%.

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Total number of shareholders

As at December 31, 2017, total number of shareholders of the Company was 71,699, of which, 71,638 were holders of A shares and 61 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	71,699
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed	90,887
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0
Total number of shareholders of preference shares with voting rights restored as at the end of the month preceding the day when the annual report was disclosed	0

Section VIII Changes in Ordinary Shares and Information of Shareholders

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

Unit: Share

Particulars of top 10 shareholders							
Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage *(%)*	Number of shares held with selling restrictions	Pledged or moratorium Status of shares	Pledged or moratorium Number	Nature of shareholders
HKSCC NOMINEES LIMITED *(Note)*	-13,846,000	491,734,800	19.60		Unknown		Unknown
Sanyi Development Limited	0	390,578,816	15.57		Nil		Overseas legal person
Heren Charitable Foundation	0	290,000,000	11.56		Nil		Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited	20,184,410	274,175,558	10.93		Unknown		Unknown
TEMASEK FULLERTON ALPHA PTE LTD	0	38,653,598	1.54		Unknown		Unknown
Fujian Yaohua Industrial Village Development Co., Ltd.	0	34,277,742	1.37		Pledged	13,700,000	Domestic non-state-owned legal person
Bai Yongli	9,687,499	32,257,806	1.29		Unknown		Unknown
Central Huijin Asset Management Ltd	0	24,598,300	0.98		Unknown		Unknown
China Merchants Bank Co., Ltd. — Orient Red Ruifeng Flexible Allocation Mixed Type Securities Investment Fund (LOF) (招商銀行股份有限公司－東方紅睿豐靈活配置混合型證券投資基金(LOF))	19,235,605	24,259,647	0.97		Unknown		Unknown
Li Haiqing	8,039,409	21,942,159	0.87		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	Type and number of shares: Number
HKSCC NOMINEES LIMITED *(Note)*	491,734,800	Overseas listed foreign shares	491,734,800
Sanyi Development Limited	390,578,816	Ordinary shares dominated in RMB	390,578,816
Heren Charitable Foundation	290,000,000	Ordinary shares dominated in RMB	290,000,000
Hong Kong Securities Clearing Company Limited	274,175,558	Ordinary shares dominated in RMB	274,175,558
TEMASEK FULLERTON ALPHA PTE LTD	38,653,598	Ordinary shares dominated in RMB	38,653,598
Fujian Yaohua Industrial Village Development Co., Ltd.	34,277,742	Ordinary shares dominated in RMB	34,277,742
Bai Yongli	32,257,806	Ordinary shares dominated in RMB	32,257,806
Central Huijin Asset Management Ltd	24,598,300	Ordinary shares dominated in RMB	24,598,300
China Merchants Bank Co., Ltd. — Orient Red Ruifeng Flexible Allocation Mixed Type Securities Investment Fund (LOF) (招商銀行股份有限公司－東方紅睿豐靈活配置混合型證券投資基金(LOF))	24,259,647	Ordinary shares dominated in RMB	24,259,647
Li Haiqing	21,942,159	Ordinary shares dominated in RMB	21,942,159

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 customers.

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, 2017, 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 *(%)*	Percentage of total issued share capital of the Company *(%)*	Class of shares
Cho Tak Wong (the chairman of Board of Directors and an executive director)[1]	Beneficiary owner/spouse interest/interest of controlled corporation	437,257,991(L)	21.83(L)	17.43(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 and 12,086,605 A shares (L) through Home Bridge Overseas 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) (L) – long position

Save as disclosed above, as at December 31, 2017, 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, 2017, 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	437,257,991(L)	21.83(L)	17.43(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	61,650,000(L)	12.19(L)	2.46(L)	H share
Commonwealth Bank of Australia[2]	Interest of controlled corporation	50,334,200(L)	9.95(L)	2.01(L)	H share
Mawer Investment Management Ltd.	Investment manager	35,544,685(L)	7.03(L)	1.42(L)	H share
JPMorgan Chase & Co. [3]	Beneficial owner/investment manager/Approved lending agent	25,737,178(L) 866,799(S) 7,277,936(P)	5.09(L) 0.17(S) 1.43(P)	1.03(L) 0.03(S) 0.29(P)	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, 13,700,000 A shares (L) were pledged to China Merchants Securities Co., Ltd. by Yaohua. In addition, she was deemed to have interests in 402,980,249 A shares (L) held by her spouse, Mr. Cho Tak Wong.

(2) As ASB Group Investments Limited, Colonial First State Investments Limited and First State Investments (Hong Kong) Ltd., the entities controlled by Commonwealth Bank of Australia, held 50,334,200 H shares (L) of the Company in aggregate, Commonwealth Bank of Australia was deemed to have interests in the shares of the Company held by such entities.

(3) JPMorgan Chase & Co. held 25,737,178 H shares (L), 866,799 H shares (S) and 7,277,936 H shares (P) of the Company through multiple entities under its control. In addition, 418,400 H shares (L) and 700,000 H shares (S) related to derivatives, namely the unlisted derivatives – physically settled.

(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, 2017.

(5) (L) – long position, (S) – short position, (P) – lending pool.

Save as disclosed above, as at December 31, 2017, 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	Cai Youchao
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

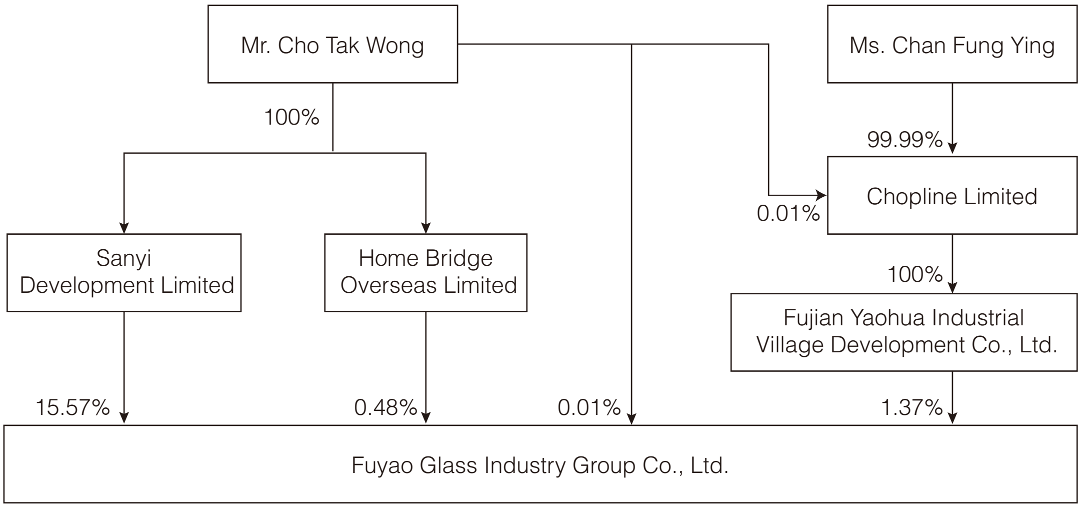
(II) De facto controller

1. Natural person

Name	Cho Tak Wong
Nationality	Hong Kong, China
Whether has acquired rights of residence in other countries or areas	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, a vice 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 directors of Sanyi Development Limited, Home Bridge Overseas 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 set out the share interests and controlling relationships between the Company and the de facto controller



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

Unit: Yuan Currency: RMB

Name of legal person shareholder	Person-in-charge or legal representative	Date of establishment	Organization code	Registered capital	Principal business or management activities
Heren Charitable Foundation	Cao Degan	2010-06-07	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 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 *(Note)*	Gender	Age	Commencement date of the term *(Note)*	Cessation date of the term *(Note)*	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares held for the year	Reason for changes	Total remunerations before tax received from the Company during the Reporting Period *(RMB0'000)*	Whether has received remunerations from connected parties of the Company
Cho Tak Wong	Executive Director, Chairman of the Board of Directors	Male	71	January 8, 2018	January 7, 2021	314,828	314,828	0		321.49	No
Tso Fai	Non-executive Director, Vice Chairman of the Board of Directors	Male	47	January 8, 2018	January 7, 2021					125.50	No
Chen Xiangming	Executive Director, Chief Financial Officer	Male	47	January 8, 2018	January 7, 2021					193.50	No
	Joint Company Secretary			October 30, 2014							
Sun Yiqun	Executive Director, Vice President	Female	54	January 8, 2018	January 7, 2021					246.99	No
Wu Shinong	Non-executive Director	Male	61	January 8, 2018	January 7, 2021					9.00	No
Zhu Dezhen	Non-executive Director	Female	59	January 8, 2018	January 7, 2021					9.00	No
Cheung Kit Man Alison	Independent Non-executive Director	Female	60	January 8, 2018	January 7, 2021					0	No
Liu Xiaozhi	Independent Non-executive Director	Female	61	January 8, 2018	January 7, 2021					15.00	No
Wu Yuhui	Independent Non-executive Director	Male	39	January 8, 2018	January 7, 2021					15.00	No
Bai Zhaohua	Chairman of the Board of Supervisors	Male	66	January 8, 2018	January 7, 2021					16.20	No

Section IX Directors, Supervisors, Senior Management and Employees

Name	Position *(Note)*	Gender	Age	Commencement date of the term *(Note)*	Cessation date of the term *(Note)*	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares held for the year	Reason for changes	Total remunerations before tax received from the Company during the Reporting Period *(RMB0'000)*	Whether has received remunerations from connected parties of the Company
Ni Shiyou	Supervisor	Male	71	January 8, 2018	January 7, 2021					15.00	No
Chen Mingsen	Supervisor	Male	70	January 8, 2018	January 7, 2021					15.00	No
Ye Shu	President	Male	45	January 8, 2018	January 7, 2021					173.84	No
He Shimeng	Vice President	Male	59	January 8, 2018	January 7, 2021	33,633	33,633	0		243.52	No
Chen Juli	Vice President	Male	51	January 8, 2018	January 7, 2021					402.54	No
Huang Xiangqian	Vice President	Male	48	January 8, 2018	January 7, 2021					193.50	No
Lin Yong	Vice President	Male	47	January 8, 2018	January 7, 2021					128.06	No
Wu Lide	Vice President	Male	42	January 8, 2018	January 7, 2021					170.91	No
Li Xiaoxi	Secretary to the Board of Directors	Female	33	January 8, 2018	January 7, 2021	365,600	365,600	0		129.53	No
Cheng Yan (retired)	Independent Non-executive Director	Female	53	November 27, 2014	January 8, 2018					15.00	No
Zuo Min (resigned)	President	Male	51	August 22, 2015	March 16, 2017	16,136,623	14,092,083	2,044,540		214.69	No
Total	/	/	/	/	/	**16,850,684**	**14,806,144**	**2,044,540**	/	**2,653.27**	/

Notes:

1. 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".

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

3. The terms of office of the members of the eighth session of the Board of Directors and the Board of Supervisors and senior management of the Company expired in November 2017, the members of the new session (i.e. the ninth session) of the Board of Directors and the Board of Supervisors and senior management were elected and appointed at the 2018 first extraordinary general meeting and the first meeting of the ninth session of the Board of Directors convened on January 8, 2018. The name list of the members of the new session of the Board of Directors and the Board of Supervisors and senior management are set out as above. In particular, Ms. Cheng Yan, an independent non-executive director, retired as an independent non-executive director, as she had served as an independent non-executive Director of the Company for six consecutive years. Ms. Cheung Kit Man Alison was elected as an independent non-executive director of the ninth session of the Board of Directors at the 2018 first extraordinary general meeting. For details, please refer to the announcement dated January 9, 2018 as published on the Shanghai Securities News, China Securities Journal, Securities Times, the websites of the SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Cho Tak Wong	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 certain positions in many organizations, including 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, a vice president of the China Society for Promotion of the Guangcai Program, a vice president of the Fujian Province Enterprise and Entrepreneurs Association and an honorary president of the Fujian Charity Federation. Mr. Cho Tak Wong also serves as a director of Sanyi Development Limited, Home Bridge Overseas 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.
Tso Fai	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 serves certain positions in many organizations, including as a member of the 13th National Committee of the Chinese People's Political Consultative Conference and a member of the Standing Committee of the 12th Fujian Province 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, a vice president of the China Society for Promotion of the Guangcai Program and an honorary vice president of the Fujian Red Cross. Mr. Tso Fai currently also serves as a director of Fujian Yaohua Industrial Village Development Co., Ltd, Chopline Limited, Trade Commerce Limited and Triplex Holdings Management Co., Ltd. (三鋒控股管理有限公司), a chairman and president of Fujian Triplex Machinery Technology Co., Ltd. and Fujian Triplex Auto Services Co., Ltd., and an executive director and president of Fujian Triplex Automotive Trim System Co., Ltd. (福建三鋒汽車飾件有限公司), Fujian Triplex Holdings Group Co., Ltd. (福建三鋒控股集團有限公司) and Fuzhou Fuyao Mold Technology Co., Ltd.. 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, and the nephew of Mr. He Shimeng, a vice president of the Company.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Chen Xiangming	Mr. Chen Xiangming has served as an executive director of the Company since February 2003, the chief financial officer of the Company since August 2015, secretary to the Board of Directors from October 2012 to March 2016 and joint company secretary since October 2014. Mr. Chen Xiangming currently also serves as a director of a majority of the subsidiaries of the Company. Mr. Chen Xiangming served as the manager of the accounting department of the Company from February 2002 to December 2002. He 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.
Sun Yiqun	Ms. Sun Yiqun has served as the vice president of the Company since August 2016, chief relations officer of Fuyao Glass America Inc. since November 2016, and an executive director of the Company since April 2017. 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.
Wu Shinong	Mr. Wu Shinong has served as a non-executive director of the Company since December 2005. He joined the Company as an independent non-executive director from April 2000 to December 2005. Mr. Wu 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) and Midea Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock code: 000333). Mr. Wu 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 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 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.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Zhu Dezhen	Ms. Zhu Dezhen has served as a non-executive director of the Company since November 2011. She currently also serves as a director of Heren Charitable Foundation and a member of the Consulting Committee of Securities Association of China. Ms. Zhu Dezhen served as 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 Hunan TV & Broadcast Intermediary Co., Ltd. (Stock code: 000917) (listed on the Shenzhen Stock Exchange) since August 2016, Bright Dairy & Food Co., Ltd. (Stock code: 600597) (listed on SSE) since April 2015, and China Yongda Automobiles Service Holdings Limited (Stock code: 3669) (listed on the Hong Kong Stock Exchange) 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 in economics from Xiamen University in September 2013.
Cheung Kit Man Alison	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.
Liu Xiaozhi	Ms. Liu Xiaozhi has served as an independent non-executive director of the Company since October 2013 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 served as an independent non-executive director of Autoliv Inc. (an automobile safety equipment manufacturer, a company listed in the New York Stock Exchange (Stock code: ALV) and OMX Nordic Exchange (Stock code: ALIV sdb)), since November 2011. 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 in engineering in July 1992.

Section IX Directors, Supervisors, Senior Management and Employees

Name	**Major working experience**
Wu Yuhui	Mr. Wu Yuhui has served as an independent non-executive director of the Company since October 2013. Mr. Wu Yuhui currently serves as a professor in finance, a PHD supervisor and the deputy director (in charge) of the Finance Department of the School of Management of Xiamen University. Currently, Mr. Wu Yuhui also serves as an independent non-executive director of Holitech Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (Stock code: 002217)), Shenzhen Sunlord Electronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange (Stock code: 002138)) and 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). Prior to joining the Company, Mr. Wu Yuhui served as an associate professor in the Finance Department of the School of Management of Xiamen University from September 2011 to July 2017, an assistant professor in 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 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 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.
Bai Zhaohua	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.
Ni Shiyou	Mr. Ni Shiyou has served as a supervisor of the Company since March 2015. Prior to his current position, Mr. Ni Shiyou worked for the Agricultural Development Bank of China Fujian Branch as the general manager of the sales department from August 1998 to November 2007. Mr. Ni Shiyou graduated from the Fujian Bank School in July 1988 with a finance professional diploma.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Chen Mingsen	Mr. Chen Mingsen has served as a supervisor of the Company since March 2015. Mr. Chen Mingsen has been the dean and professor of the Institute of Industry and Corporate Development of the Fujian Provincial Committee Party School since May 2005, a special expert of the Monetary Policy Committee of the People's Bank of China since February 2017, a consultant of the Fujian Provincial People's Government since March 2000, the president of the Fujian Province Institute of Economic Researches on Securities since June 1998, an adjunct professor of the School of Economics and Management of Fuzhou University since May 1995 as well as of the School of Economics and Finance of HuaQiao University since November 2005. Mr. Chen Mingsen has served as an independent non-executive director of Fujian Nanping Sun Cable Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock code: 002300) since May 2016. He is also an independent non-executive director of Guomai Technologies, Inc., a company listed on the Shenzhen Stock Exchange (Stock code: 002093). Mr. Chen Mingsen obtained a master's degree in economics from Fujian Normal University in December 1981.
Ye Shu	Mr. Ye Shu joined the Company in July 2003. Mr. Ye Shu held various positions in the Company, including the president of the Company since March 2017 and 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 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 son-in-law of Mr. Cho Tak Wong, the de facto controller and the chairman of Board of Directors of the Company, and the brother-in-law of Mr. Tso Fai, the vice chairman of Board of Directors of the Company.
He Shimeng	Mr. He Shimeng has served as a vice president of the Company since August 1999. Mr. He Shimeng served as the general manager of 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 Board of Directors of the Company, and the uncle of Mr. Tso Fai, the vice chairman of Board of Directors of the Company.
Chen Juli	Mr. Chen Juli has served as a vice president of the Company since February 2002. Mr. Chen Juli joined the Company in July 1989. 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 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 systems and earning a bachelor's degree in engineering.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Huang Xianqian	Mr. Huang Xianqian joined the Company in September 1990. Mr. Huang Xianqian held various positions in the Company including a vice president of the Company since August 2015, the director of the operation department of the Company and the 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.
Lin Yong	Mr. Lin Yong joined the Company in February 1993. Mr. Lin Yong held various positions in the Company, including a vice president of the Company since October 2017, 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 graduated with a bachelor's degree in silicate engineering from Fuzhou University in July 1991.
Wu Lide	Mr. Wu Lide joined the Company in March 1997. Mr. Wu held various positions in the Company or its subsidiaries, including the vice president of the Company since August 2017, 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.
Li Xiaoxi	Ms. Li Xiaoxi joined the Company in August 2015, and she has served as the secretary to the Board of Directors of the Company since March 2016. She served as the brand manager of branding department, vice president of VIP department and vice president of marketing department at Beijing Capital Airlines Co., Ltd. (Deer Jet) from February 2012 to August 2015, and the director of 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 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 Shanghai Stock Exchange.

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Name	Major working experience
Cheng Yan	Ms. Cheng Yan served as an independent non-executive director of the Company from November 2011 to January 2018 and she has served as the chief executive officer and executive director of China Innovative Finance Group Limited (a company listed on the Hong Kong Stock Exchange, Stock code: 0412) since December 2016. Ms. Cheng Yan has been serving as a vice CEO of China Huarong International Holdings Limited from December 2015 to December 2016, chairman of the board, executive director, chairman of operation committee and member of the nomination and corporate governance committee of Huarong International Finance Holdings Limited (a company listed on the Hong Kong Stock Exchange, Stock code: 0993, formerly known as Simsen International Corporation Limited) from October 2015 to November 2015, deputy director of the economic committee of the China Democratic League Central Committee since January 2012, and managing director, executive head of the global customer center and vice chairman of the investment banking division of BOCI Holdings Limited from January 2014 to September 2015. During the period from March 2006 to December 2013, Ms. Cheng Yan worked for BOCI Asia Limited, a subsidiary of the Bank of China Limited specializing in investment banking and held the positions of managing director, vice chairman of the investment banking division and the global high-end customers/market department from January 2013 to December 2013, the positions of managing director, supervisor of natural resources division and vice chairman of the investment banking division from April 2008 to December 2012, and the positions of executive director of the investment banking division and mining and resources supervisor of BOCI Asia Limited from March 2006 to March 2008. Ms. Cheng Yan was chief representative of the Beijing office of South China Brokerage Co., Ltd. (currently known as South China Financial Holdings Limited), a company specializing in finance and investment, from April 2004 to April 2005, vice president of the strategic investment department of Hong Kong Golden Concord Power Investment Group, a company primarily engaged in energy business from August 2003 to April 2004, director and vice president of Shenzhen Jinling Investment Co., Ltd., a company primarily engaged in the businesses of investment consultancy, financial advisory and technical development services and import and export trading, from August 2001 to July 2003, and vice president of Qinghai Qingtai Trust Investment Co., Ltd. (currently known as Minmetals International Trust Co., Ltd.), a non-banking financial institution approved by the People's Bank of China which specializes in commercial trusts and investments from January 1999 to August 2001. Ms. Cheng Yan received a bachelor's degree in economics from Anhui Institute of Finance and Economics in December 1993 and an executive master degree of business administration from Peking University in January 2005.
Zuo Min	Mr. Zuo Min served as the president of the Company from August 2015 to March 2017, and the chief financial officer of the Company from November 2014 to August 2015. Mr. Zuo Min joined the Company in July 1989. He served as various positions of the Company, including the general manager of the audit supervision department of the Company from December 2007 to March 2008, a director from December 1994 to January 2003, a vice president from August 1999 to January 2003, the chief financial officer from December 1994 to August 1999 and from February 2002 to January 2003, the chief accountant from January 1994 to December 1994, a financial manager from August 1992 to January 1994 and a purchasing manager from October 1990 to August 1992. Mr. Zuo Min was an executive director of Hubei Jierui Automobile Glass Co., Ltd. from June 2007 to January 2014. Mr. Zuo Min has been a director of Ningxia Shaquan Grape Vintage Limited from July 2014 to May 2016. Mr. Zuo Min graduated with a bachelor's degree in chemistry and mechanism from Fushun Petroleum Institute in July 1989, and a master's degree in business administration from Xiamen University in January 2000. He graduated from Fudan University with doctorate-equivalent qualification in accounting in June 2008.

Section IX Directors, Supervisors, Senior Management and Employees

II. POSITION OF EXISTING 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, 2017	June 10, 2018
Cho Tak Wong	Home Bridge Overseas Limited	Director	July 21, 2017	July 21, 2018
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, 2015	December 9, 2020
Zhu Dezhen	Heren Charitable Foundation	Council member	December 9, 2015	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.

(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, 2017	October 28, 2018
Cho Tak Wong	Global Cosmos German Limited	Director	December 10, 2015	
Tso Fai	Chopline Limited	Director	August 25, 2017	August 25, 2018
Tso Fai	Trade Commerce Limited	Director	October 28, 2017	October 28, 2018
Tso Fai	Triplex Holdings Management Co., Ltd.	Director	May 13, 2015	
Tso Fai	Fujian Triplex Machinery Technology Co., Ltd.	Chairman of the Board of Directors and President	July 10, 2015	July 10, 2018
Tso Fai	Fujian Triplex Automotive Trim System Co., Ltd.	Executive Director and President	August 19, 2015	August 19, 2018
Tso Fai	Fujian Triplex Holdings Group Co., Limited	Executive Director and President	November 16, 2015	November 16, 2018
Tso Fai	Fuzhou Fuyao Mold Technology Co., Ltd.	Executive Director and President	March 20, 2016	March 19, 2019
Tso Fai	Fujian Triplex Auto Services Co., Ltd.	Chairman of the Board of Directors and President	February 2, 2016	
Wu Shinong	Xiamen ITG Group Co., Ltd.	Independent non-executive Director	May 15, 2015	May 15, 2018
Wu Shinong	Midea Group Company Limited	Independent non-executive Director	September 18, 2015	September 18, 2018
Zhu Dezhen	Xiamen De Yi 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	April 17, 2018
Zhu Dezhen	China Yongda Automobiles Service Holdings Limited	Independent non-executive Director	May 8, 2015	May 8, 2018

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Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Zhu Dezhen	Hunan TV & Broadcast Intermediary Co., Ltd.	Independent non-executive Director	August 11, 2016	August 11, 2019
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	November 3, 2019
Wu Yuhui	Holitech Technology Co., Ltd.	Independent non-executive Director	May 15, 2017	May 15, 2018
Wu Yuhui	Shenzhen Sunlord Electronics Co., Ltd.	Independent non-executive Director	October 13, 2017	October 13, 2020
Wu Yuhui	Shenzhen Huada Gene Ltd.	Independent non-executive Director	June 7, 2017	June 22, 2018
Chen Mingsen	Guomai Technologies, Inc.	Independent non-executive Director	February 19, 2016	February 19, 2019
Chen Mingsen	Fujian Nanping Sun Cable Co., Ltd.	Independent non-executive Director	May 6, 2016	May 6, 2019

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 RMB26.5327 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 RMB26.5327 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
Ye Shu	Vice President	Being appointed	Considered and approved at the twelfth meeting of the eighth session of the Board of Directors
Lin Yong	Vice President	Being appointed	Considered and approved at the twelfth meeting of the eighth session of the Board of Directors
Zuo Min	President	Resigned	Due to family and health reason
Ye Shu	President	Being appointed	Considered and approved at the thirteenth meeting of the eighth session of the Board of Directors
Sun Yiqun	Executive Director	Being elected	Considered and approved at the 2016 annual general meeting
Wu Lide	Vice President	Being appointed	Considered and approved at the fifteenth meeting of the eighth session of the Board of Directors
Cheng Yan	Independent non-executive Director	Retired	Had served for six consecutive years

Notes:

1. On February 24, 2017, the appointments of Mr. Ye Shu, Mr. Lin Yong as vice presidents of the Company with a term of office commencing from the date of approval at the board meeting and ending on the date of expiry of the term of office of the eighth session of the Board of Directors, were considered and approved at the twelfth meeting of the eighth session of the Board of Directors. Please refer to the announcement dated February 25, 2017 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.

2. On March 16, 2017, Mr. Zuo Min tendered his resignation from his position as a president of the Company due to family and health reason, with effect from March 16, 2017. Please refer to the announcement dated March 17, 2017 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.

3. On March 25, 2017, the appointment of Mr. Ye Shu as a president of the Company with a term of office commencing from the date of approval at the board meeting and ending on the date of expiry of the term of office of the eighth session of the Board of Directors, were considered and approved at the thirteenth meeting of the eighth session of the Board of Directors. Please refer to the announcement dated March 27, 2017 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.

4. On April 26, 2017, the appointment of Ms. Sun Yiqun as an executive director of the Company, with the term of office commencing from the date of approval at the general meeting and ending on the date of expiry of the term of office of the eighth session of the Board of Directors, were considered and approved at the 2016 annual general meeting of the Company. Please refer to the announcement dated April 27, 2017 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

5. On August 4, 2017, the appointment of Mr. Wu Lide as a vice president of the Company with a term of office commencing from the date of approval at the board meeting and ending on the date of expiry of the term of office of the eighth session of the Board of Directors, were considered and approved at the fifteenth meeting of the eighth session of the Board of Directors. Please refer to the announcement dated August 5, 2017 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.

6. The terms of office of the members of the eighth session of the Board of Directors, the Board of Supervisors and senior management expired in November 2017, and on January 8, 2018, the Company held the 2018 first extraordinary general meeting and the first meeting of the ninth session of the Board of Directors to re-elect/re-appoint the members of a new session (i.e. the ninth session) of the Board of Directors, the Board of Supervisors and senior management. Please refer to "(I) Changes in shareholding of current and resigned directors, supervisors and senior management and their remunerations during the Reporting Period" under the "I. Changes in Shareholding and Remuneration" in this section for the details of list of the members of the new session of the Board of Directors, the Board of Supervisors and senior management. In particular, as Ms. Cheng Yan, an independent non-executive director, had been successively in term of office for six years, she retired from her position upon Ms. Cheung Kit Man Alison being elected as an independent non-executive director of the ninth session of the Board of Directors at the 2018 first extraordinary general meeting. Please refer to the announcement dated January 9, 2018 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.

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

During the Reporting Period, there was no change in the core technical team and 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. Tso Fai, a non-executive director of the Company, currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference and a member of the Standing Committee of the 12th Fujian Province Committee of the People's Political Consultative Conference, a vice president of the Chamber 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.

2. Mr. Wu Yuhui, an independent non-executive director of the Company, currently serves as a professor in finance, a PHD supervisor and the deputy director (person-in-charge) of the Finance Department of the School of Management of Xiamen University.

3. Mr. Chen Mingsen, a supervisor of the Company, has served as a special expert of the Monetary Policy Committee of the People's Bank of China since February 2017.

Save as disclosed above, during the Report 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. PUNISHMENT BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

During the term of service as the chief financial officer of the Company, Mr. Zuo Min (the former president of the Company) dealt with the A shares of the Company through the centralized bidding trading system of the SSE from February 27, 2015 to June 4, 2015, which constituted a short-swing trading (please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to Short-swing Trading of Senior Management dated June 5, 2015 published on the websites of the SSE and Hong Kong Stock Exchange) and violated the relevant requirements under the Article 47 of Securities Laws, the Article 12 of Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof issued by CSRC, and the Article 3.1.4 and the Article 3.1.6 of Rules Governing the Listing of Stocks on the SSE. The SSE circulated a notice of criticism to Mr. Zuo Min.

VIII. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the Company	1,536
Number of in-service employees of the major subsidiaries	24,645
Total number of in-service employees	26,181
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	19,039
Sales staff	884
Technical staff	3,443
Finance staff	246
Administrative staff	908
Other staff	1,661
Total	**26,181**

Education level

Type of education level	Number of persons
University graduates or above	3,699
College graduates	3,809
Specialized secondary school graduates and high school graduates	14,558
Below high school graduates	4,115
Total	**26,181**

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 plan, the Company made an annual training plan. The Group provides orientation training and on-the-job education for the growth of the employees, of which the orientation training covers subjects such as corporate culture and policies, work ethic and quality, major products, 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 globalization and strategic plan, the Group held various courses for middle and senior management, key technical staff and backbones, including courses for senior management reserve, core courses, main process technology training courses, lean level training courses and quality engineering training courses. Through providing training and developing talents, the Company secured talents for enterprises transformation and upgrading, promoted the rapid 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, Securities Law, 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 Company's 2016 Profit Distribution Plan, 2016 Annual Report and Summary of the Annual Report, Resolution on Amendment to the Articles of Association of the Company and Resolution on Issuance of Ultra Short-Term Financing Notes As and When the Company is Eligible and Thinks Fit at the 2016 annual general meeting of the Company held on April 26, 2017. The convention and the resolution 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 trade of information among shareholders and people in possession of insider information, or any incident harming the interest of the shareholders or 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 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-operation 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-operation 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, Rules of Procedure for the Board of Directors and the requirements under relevant laws and regulations, in an honest and diligent manner. When considering resolutions in relation to connected transactions, the connected directors abstained from voting in order to ensure that the connected transactions were fair and reasonable.

4. Supervisors and the Board of Supervisors: All supervisors were in strict compliance with the Articles of Association, 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, disposal of assets, daily connected transactions, performance of directors and senior management, and protected the legal rights of the Company and the shareholders.

Section X Company Governance and Corporate Governance Report

5. Information Disclosure and Transparency: The Company strictly complied with the listing rules of the exchanges where its shares are listed, and fulfilled the responsibilities of 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, Securities Law, 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 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, except for the following: since the term of office of the eighth session of the Board of Directors and the Board of Supervisors of the Company expired on November 26, 2017 and Ms. Cheng Yan had served as an independent non-executive director for six consecutive years, the Company needed time to identify a candidate for the independent non-executive director. On January 8, 2018, the Company held the first extraordinary general meeting of 2018 to consider and approve the election of members of the ninth session of the Board of Directors and the shareholder representative supervisors of the ninth session of the Board of Supervisors. All the members of the eighth session of the Board of Directors and the Board of Supervisors as well as senior management of the Company continued to fulfill their respective obligations and responsibilities as directors, supervisors and senior management in accordance with laws and administrative regulations as well as the Articles of Association of the Company until the re-election and appointment of members of the Board of Directors and the Board of Supervisors were completed. For details, please refer to the announcement dated November 23, 2017 published by the Company on the website of the Hong Kong Stock Exchange and website of the SSE.

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 annual report and "Section V Report of the Board of Directors" and "Section IX The 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 ("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 the resolution	Date of the disclosure of the publication of resolution
2016 annual general meeting	April 26, 2017	The website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	April 27, 2017

Information on the General meeting

The 2016 annual general meeting was convened on April 26, 2017 through a combination of physical meeting and online voting. The meeting was presided by Mr. Cho Tak Wong, the chairman of the Board of Directors. A total of 66 shareholders attended either the physical meeting or online voting in person or by proxy. The meeting considered and approved resolutions including the Work Report of the Board of Directors for the Year 2016, Work Report of the Board of Supervisors for the Year 2016. For the announcements related to the resolutions, please refer to relevant announcements dated April 27, 2017 as published by the Company on the China Securities Journal, the Shanghai Securities News, Securities Times, the website of the SSE (http://www.sse.com.cn) and the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

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, 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 should 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 in 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

Section X Company Governance and Corporate Governance Report

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 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.

The Company has disclosed its address, hotline for investor relationship, fax and email in the Company 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 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, regulations, administrative rules and the Articles of Association and shall be submitted or delivered in writing.

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

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

Section X Company Governance and Corporate Governance Report

V. THE BOARD OF DIRECTORS AND THE MANAGEMENT

(I) The Board of Directors

The Board of Directors is the permanent organization for the operation and decision-making of the Company, and shall report to the general meeting. The Board of Directors shall consist of nine directors, among which 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. Ye Shu is the president of the Company. The Board of Directors and the management have respective responsibilities, and the division of power and duty is in strict compliance with the Articles of Association, Rules of Procedure for the Board of Directors, the Code on Work for the President, and relevant laws and regulations.

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 determine their remunerations, rewards and punishments; appointing or dismissing the Company's vice president, chief financial officer and other senior executives and determine 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 duly 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 as set out in Appendix 14 to the Hong Kong Listing Rules; and ensure full disclosure in accordance with relevant regulatory requirements regarding corporate governance 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, 2017.

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

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

Section X Company Governance and Corporate Governance Report

During the Reporting Period, in order to further enhance the scientificity of the decision-making 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, 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 eighth session of the Board of Directors of the Company consists of nine members: 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, and Ms. Cheng Yan, Ms. Liu Xiaozhi and Mr. Wu Yuhui as independent non-executive directors. Mr. Cho Tak Wong is the chairman of the Board of Directors, and the term of his office is same as that of the eighth session of the Board of Directors.

Except 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 and (2) Mr. Ye Shu, 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 relations.

During the Reporting Period, the Board of Directors convened five meetings, considered and approved 57 resolutions.

(II) The Management

The president of the Company is responsible for the business operations 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 business operations 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 internal management setup 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 operation 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 Meeting

	Attendance at meetings of the Board of Directors								Attendance at the General meeting	
Name of Directors	Whether he/she is an independent non-executive director	Number of meetings of the Board of Directors are required to attend	Number of times of attendance in person	Number of times of attendance through communication	Attendance rate (%)	Number of times of attendance by proxy	Number of absences	Whether he/she was absent for two consecutive meetings	Number of General Meeting attended	Attendance rate (%)
Cho Tak Wong	No	5	5	0	100	0	0	No	1	100
Tso Fai	No	5	3	0	60	2	0	No	1	100
Chen Xiangming	No	5	5	0	100	0	0	No	1	100
Sun Yiqun	No	2	2	0	100	0	0	No	–	–
Wu Shinong	No	5	3	0	60	2	0	No	0	0
Zhu Dezhen	No	5	5	0	100	0	0	No	1	100
Cheng Yan	Yes	5	2	0	40	3	0	Yes	1	100
Liu Xiaozhi	Yes	5	4	0	80	1	0	No	1	100
Wu Yuhui	Yes	5	5	0	100	0	0	No	1	100

Notes:

1. On April 26, 2017, the appointment of Ms. Sun Yiqun as a director of the Company, with the term of office ending on the date of expiry of the term of office of the eighth session of the Board of Directors, was considered and approved at the 2016 annual general meeting of the Company.

2. Mr. Wu Shinong was unable to attend the 2016 annual general meeting of the Company convened on April 26, 2017 due to work reasons.

Information of two consecutive failures of attending the meeting of the Board of Directors in person

Ms. Cheng Yan, an independent non-executive director, was unable to attend certain board meetings due to work reasons. However, she had reviewed the relevant proposals in advance, expressed her opinions thereon after careful consideration, and authorized Mr. Wu Yuhui, an independent non-executive director, with a power of attorney to attend and vote as instructed at the meetings as her proxy.

Number of meetings of the Board of Directors convened during the year	5
Among them: Physical meetings convened	5
Meetings convened through communications	0
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 program 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, 2017, all directors have attended trainings in accordance with the rules relevant to the continuous professional development under the Corporate Governance Code. Their records of training for the year ended December 31, 2017 are as follows:

	Duration of training (Hours)	
Director	**A**	**H**
Executive directors		
Cho Tak Wong	16	6
Chen Xiangming	36.5	23.5
Sun Yiqun	9	5
Non-executive directors		
Tso Fai	16	6
Wu Shinong	16	6
Zhu Dezhen	16	6
Independent non-executive directors		
Wu Yuhui	16	6
Liu Xiaozhi	16	6
Cheng Yan	16	6

Notes:

A: Trainings on the rules issued by the SSE and directors' responsibilities

H: Trainings on the Hong Kong Listing Rules and directors' responsibilities

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

According to the requirements of the regulations of the place of listing, the Board of Directors stringently discharged its responsibility 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 recommendation.

- 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 the directors and senior management of the relevant rules and regulations so as to enable them to continuously develop their professional skills and capabilities to discharge their duties.

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- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. The Board of Directors constantly pay attention to the compliance of the operation of the Company. The Company established the legal department and hired counsel to ensure the compliance by the Company with the requirements of laws and regulations.

- 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 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 general meetings and convening and presiding over meetings of the Board of Directors; supervising and reviewing the implementation of resolutions passed at the meeting 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 representatives, etc. The chairman of the Board of Directors shall be accountable to and report to the Board of Directors.

The president exercises the following powers: managing the business operations 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 information of the Company relevant to the operation 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.

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.

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. On December 31, 2017, the Board of Directors consisted of nine members, among whom there were three independent non-executive directors including Mr. Wu Yuhui, who possesses the qualifications of accounting and financial management. The composition of the Board of Directors of the Company was in compliance with the regulations 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 could express opinions objectively and independently, which ensured the independence and fairness of the Board of Directors' decisions.

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As the terms of office of the members of the eighth session of the Board of Directors and the Board of Supervisors and senior management of the Company expired in November 2017, the members of the new session (i.e. the ninth session) of the Board of Directors and the Board of Supervisors (shareholder representative) and senior management were elected and appointed at the 2018 first extraordinary general meeting and the first meeting of the ninth session of the Board of Directors convened on January 8, 2018. In particular, Ms. Cheng Yan, an independent non-executive director, retired as an independent non-executive director, as she had served as an independent non-executive director of the Company for 6 consecutive years, and Ms. Cheung Kit Man Alison was elected as an independent non-executive director of the ninth session of the Board of Directors. For details, please refer to the announcement dated January 9, 2018 as published on the Shanghai Securities News, China Securities Journal, Securities Times, the website of SSE (http://www.sse.com.cn) and the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

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, the Strategy and Development Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee, worked stringently in accordance with the laws, regulations, Articles of Association and the relevant regulations 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.

(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 eighth 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. Cheng Yan, an independent non-executive director. On January 8, 2018, the Company convened the first meeting of the ninth session of the Board of Directors at which the Resolution in relation to Election of the Members of the Strategy and Development Committee under the Board of Directors and Appointment of the Chairman of the Strategy and Development Committee was considered and approved and it was approved that the Strategy and Development Committee under the ninth session of the Board of Directors shall consist of Mr. Cho Tak Wong, the chairman of the Board of Directors, Mr. Tso Fai, a non-executive Director and Ms. Cheung Kit Man Alison, an independent non-executive Director, and be chaired by Mr. Cho Tak Wong, the chairman of the Board of Directors. The terms of reference of the Strategy and Development Committee was announced in writing on the websites of the Company and the SSE.

During the Reporting Period, the Strategic Development Committee performed its duties in accordance with the Company Law, Articles of Association, the Terms of Reference of the Strategic Development Committee and requirements of relevant law and regulations. One meeting was convened and all resolutions were approved with no objections. The details are as follow:

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Meeting	Date	Topic	Attendance
The fourth meeting of the eighth session (physical meeting)	February 24, 2017	1. Consideration of the Resolution in relation to the Company's Development Strategy; 2. Consideration of the Resolution in relation to the Company's 2017 Development Plan	Mr. Cho Tak Wong, Mr. Tso Fai, Ms. Cheng Yan attended the meeting

(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 economic activities and shall report its work and be accountable to the Board of Directors. The Audit Committee under the eighth 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. Wu Yuhui, an independent non-executive director, who possesses the professional qualifications as provided in Rule 3.10(2) of the Hong Kong Listing Rules. The other members of the Audit Committee are Ms. Cheng Yan, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director. On January 8, 2018, the Company convened the first meeting of the ninth session of the Board of Directors at which the Resolution in relation to Election of the Members of Audit Committee under the Board of Directors of the Company and Resolution in relation to Appointment of the Chairman of the Audit Committee under the Board of Directors were considered and approved and it was approved to elect Mr. Wu Yuhui, an independent non-executive director, Ms. Cheung Kit Man Alison, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director, as members of Audit Committee under the Board of Directors, and appoint Mr. Wu Yuhui, an independent non-executive director, as the chairman of the Audit Committee under the ninth session of the Board of Directors. The terms of reference of the Audit Committee was announced in writing 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 the continuing connected transaction, implemented the management of conflict of interest, 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 PRC, the Securities Law of PRC, the Accounting Law of PRC, the Internal Control Guidelines for Listed Companies on the SSE, Basic Regulation of Internal Control and its supporting guidelines, and other internal control supervisory rules, the Audit Committee collated, assessed and identified the risks faced

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by the Company and confirmed the list of key risks, and supervised and perfected the appropriate risk policies and risk management and control measures for the risks thereof, whereby it ensured that there are rules and regulations on management and control of each of the key risks of the Company, the resources are well-allocated and the operations are well-regulated, so that the risks are properly managed and controlled. Moreover, the Audit Committee provided relevant training on risk management and compliance to all staff to strengthen their risk management consciousness and promoted the concept of "Risk Management and Control Lie in Prevention". The Company promoted the delineation of responsibilities and coordination across the three lines of defense, namely the business and functional departments which would conduct self-assessment on effectiveness of risk management system and internal control, the internal audit departments which would conduct independent evaluation, and the appointed accounting firm which would conduct the risk management and internal control auditing, so as to facilitate the overall smooth running of risk management and internal control mechanism and enhance our routine 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 2 meetings with the auditors engaged by the Company.

During the Reporting Period, the Audit Committee performed its duties in accordance with the Company Law, Articles of Association, the Terms of Reference of the Audit Committee and requirements of relevant laws and regulations. Four meetings were convened and all resolutions were approved with no objection. The details are as follows:

Meeting	Date	Topic	Attendance
The tenth meeting of the eighth session (physical meeting)	February 24, 2017	1. Consideration of the 2016 Final Financial Accounts; 2. Consideration of the 2016 Annual Report and Summary of Annual Report; 3. Consideration of the 2016 Annual Audit Work Summary Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers; 4. Consideration of the Resolution in relation to Continue Appointing PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Domestic Audit Institution and Audit Institution of the internal control of the Company for 2017;	Mr. Wu Yuhui, Ms. Cheng Yan, Ms. Zhu Dezhen attended the meeting

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Meeting	Date	Topic	Attendance
		5. Consideration of the Resolution in relation to Continue Appointing PricewaterhouseCoopers as the External Audit Institution for the Company in 2017; 6. Consideration of the "Fuyao Glass Industry Group Co., Ltd. 2016 Annual Internal Control Evaluation Report"; 7. Consideration of the 2016 Annual Performance Report of the Audit Committee of the eighth session of the Board of Directors of Fuyao Glass Industry Group Co., Ltd.; 8. Consideration of the Annual Work Summary of the Audit Department for the Year of 2016	
The eleventh meeting of the eighth session (physical meeting)	April 26, 2017	1. Consideration of the Resolution in relation to the full text of 2017 First Quarter Report; 2. Consideration of the Resolution in relation to the Change of Accounting Policies	Mr. Wu Yuhui, Ms. Zhu Dezhen attended the meeting; Ms. Cheng Yan entrusted Mr. Wu Yuhui to attend the meeting on her behalf due to business trip
The twelfth meeting of the eighth session (physical meeting)	August 4, 2017	Consideration of the Resolution relating to the 2017 Interim Report and Summary of the Company	Mr. Wu Yuhui, Ms. Zhu Dezhen attended the meeting; Ms. Cheng Yan entrusted Mr. Wu Yuhui to attend the meeting on her behalf due to business trip
The thirteenth meeting of the eighth session (physical meeting)	October 25, 2017	1. Consideration of the Resolution in relation to the full text of 2017 Third Quarter Report; 2. Consideration of the Resolution in relation to the Change of Accounting Policies	Mr. Wu Yuhui, Ms. Cheng Yan, Ms. Zhu Dezhen attended the meeting

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(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 changes and recommendation of candidates for directors and senior management to the Board of Directors. The Nomination Committee under the eighth 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. Cheng Yan, an independent non-executive director and the other members are Ms. Liu Xiaozhi, an independent non-executive director, and Mr. Tso Fai, a non-executive director. On January 8 2018, the Company convened the first meeting of the ninth session of the Board of Directors, at which the Resolution in relation to Election of the Members of the Nomination Committee under the Board of Directors of the Company and the Resolution in relation to the Appointment of the Chairman of the Nomination Committee under the Board of Directors were considered and approved, and it was approved to elect Ms. Liu Xiaozhi, an independent non-executive director, Ms. Cheung Kit Man Alison, an independent non-executive director, Mr. Tso Fai, a non-executive director, as the members of the Nomination Committee of the ninth session of the Board of Directors and appoint Ms. Cheung Kit Man Alison, an independent non-executive director, as the chairman of the Nomination Committee of the ninth session of the Board of Directors. The terms of reference of the Nomination Committee was announced in writing 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 candidate for nomination, then make recommendation 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, educational and professional background when selecting candidates.

The Company has formulated the "Board Diversity Policy", which covers: 1. Policy statement: In designing the composition of the Board of Directors, the Company has considered the diversity 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. The Company confirmed that the composition of the Board was in compliance with the requirements of the Hong Kong Listing Rules in terms of diversity of directors and the Board Diversity Policy formulated by the Company.

During the Reporting Period, the Nomination Committee performed its duties in accordance with the Company Law, Articles of Association, the Terms of Reference of the Nomination Committee, the Board Diversity Policy and requirements of relevant laws and regulations. Four meetings were convened and all resolutions were approved with no objection. The details are as follow:

Meeting	Date	Topic	Attendance
The sixth meeting of the eighth session (physical meeting)	February 24, 2017	1. Consideration of the Resolution in relation to the Nomination of Candidates for Directors of the Board of Directors of the Company; 2. Consideration of the Resolution in relation to the Nomination of the Vice President of the Company	Mr. Tso Fai, Ms. Cheng Yan, Ms. Liu Xiaozhi attended the meeting

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Meeting	Date	Topic	Attendance
The seventh meeting of the eighth session (meeting through communications)	March 25, 2017	Consideration of the Resolution in relation to the Nomination of the President of the Company	Mr. Tso Fai, Ms. Cheng Yan, Ms. Liu Xiaozhi attended the meeting
The eighth meeting of the eighth session (meeting through communications)	August 4, 2017	Consideration of the Resolution in relation to the Nomination of the Vice President of the Company	Mr. Tso Fai, Ms. Cheng Yan, Ms. Liu Xiaozhi attended the meeting
The ninth meeting of the eighth session (meeting through communications)	October 25, 2017	Consideration of the Resolution in relation to the Nomination of Candidates for Directors of the Ninth Session of the Board of Directors	Mr. Tso Fai, Ms. Cheng Yan, Ms. Liu Xiaozhi attended the meeting

(IV) Remuneration and Assessment Committee

The Company has established a remuneration and assessment committee in accordance with Rules 3.25 and 3.26 of the Hong Kong Listing Rules as well as the requirements of the CSRC and the SSE. The Remuneration and Assessment Committee is mainly responsible for the formulation, management and assessment of the remuneration system of the directors and the senior management of the Company and making recommendations to the Board of Directors on the remuneration packages of individual executive directors and senior management. The Remuneration and Assessment Committee shall report its work and be accountable to the Board of Directors. The Remuneration and Assessment Committee of the eighth 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 Ms. Liu Xiaozhi, an independent non-executive director, and the other members of the committee are Mr. Cho Tak Wong, the chairman of the Board of Directors and an executive director, and Mr. Wu Yuhui, an independent non-executive director. On January 8, 2018, the Company convened the first meeting of the ninth session of the Board of Directors, at which the Resolution in relation to Election of Members of the Remuneration and Assessment Committee under the Board of Directors of the Company and the Resolution in relation to Appointment of the Chairman of the Remuneration and Assessment Committee under the Board of Directors were considered and approved, and it was approved to elect Mr. Cho Tak Wong, the chairman of the Board of Directors, Ms. Liu Xiaozhi, an independent non-executive director, and Mr. Wu Yuhui, an independent non-executive director, as the members of the Remuneration and Assessment Committee of the ninth session of the Board of Directors and appoint Ms. Liu Xiaozhi, an independent non-executive director, as the chairman of the Remuneration and Assessment Committee of the ninth session of the Board of Directors. The terms of reference of the Remuneration and Assessment Committee was announced in writing on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

During the Reporting Period, after the Remuneration and Assessment Committees carefully examined the actual completed production and operating results in 2016, the Committee reviewed the remuneration of the Company's directors and senior management disclosed in the 2016 Annual Report, and considered all the directors, supervisors and senior management achieved the annual operating results set by the Company with diligence and dedication. The remuneration of directors, supervisors and senior management in 2016 was fair, reasonable and in compliance with relevant regulations and assessment criteria of the Company, without any occurrence of violation of the Company's remuneration system. In 2016, the Company did not implement any equity incentive scheme.

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During the Reporting Period, the Remuneration and Assessment Committee performed its duties in accordance with the Company Law, Articles of Association, and the Terms of Reference of the Remuneration and Assessment Committee and requirements of relevant laws and regulations. Two meetings were convened and all resolutions were approved with no objections. The details are as follows:

Meeting	Date	Topic	Attendance
The fourth meeting of the eighth session (physical meeting)	February 24, 2017	Consideration of the Consolidated Report of the Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2016	Mr. Cho Tak Wong, Mr. Wu Yuhui and Ms. Liu Xiaozhi attended the meeting
The fifth meeting of the eighth session (physical meeting)	October 25, 2017	1. Consideration of the Resolution in relation to the Remuneration Scheme for Directors of the Ninth Session of the Board of Directors of the Company; 2. Consideration of the Resolution in relation to the Remuneration Scheme for Shareholder Representative Supervisors of the Ninth Session of the Board of Supervisors of the Company	Mr. Cho Tak Wong, Mr. Wu Yuhui and Ms. Liu Xiaozhi attended the meeting

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. 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 the 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.

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During the Reporting Period, the Board of Supervisors performed its duties in accordance with the Company Law, Articles of Association, and the Rules of Procedure of the Board of Supervisors and requirements of relevant laws and regulations. Four meetings were convened and all resolutions were approved with no objections. The details are as follows:

Meeting	Meeting Date	Topic	Attendance
The tenth meeting of the eighth session (physical meeting)	February 24, 2017	1. Consideration of the 2016 Work Report of the Board of Supervisors; 2. Consideration of the 2016 Final Financial Accounts; 3. Consideration of the 2016 Annual Report and Annual Report Summary; 4. Consideration of the Resolution in relation to the Disposal of Assets by the Company and the Projected Continuing Connected Transactions; 5. Consideration of the Resolution in relation to the Provision of Borrowings to Jinken Glass Industry Shuangliao Co., Ltd. by the Company and Its Subsidiaries in the PRC; 6. Consideration of the Resolution in relation to the Provision of Borrowings to Jinken Glass Industry Shuangliao Co., Ltd. by the Company and Connected Transaction.	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting
The eleventh meeting of the eighth session (meeting through communications)	April 26, 2017	Consideration of the Resolution in relation to the full text of 2017 First Quarter Report of the Company	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting
The twelfth meeting of the eighth session (physical meeting)	August 4, 2017	1. Consideration of the Resolution in relation to the 2017 Interim Report and Summary of the Company; 2. Consideration of the Resolution in relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company; 3. Consideration of the Resolution in relation to the Provision of Borrowings to Jinken Glass Industry Shuangliao Co., Ltd. by the Company and Its Subsidiaries in the PRC; 4. Consideration of the Resolution in Relation to the Change of Accounting Policies	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting

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Meeting	Meeting Date	Topic	Attendance
The thirteenth meeting of the eighth session (physical meeting)	October 25, 2017	1. Consideration of the Resolution in relation to the full text of 2017 Third Quarter Report of the Company; 2. Consideration of the Resolution in relation to the Re-election of Members of the Board of Supervisors and Nomination of Candidates for Supervisors of the Ninth Session of Board of Supervisors; 3. Consideration of the Resolution in relation to the Remuneration of the Supervisors of the Ninth Session of the Board of Supervisors; 4. Consideration of the Resolution in Relation to the Change of Accounting Policies; 5. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year of 2018; 6. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd for the Year of 2018; 7. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Fujian Triplex Automotive Trim System Co., Ltd. for the Year of 2018; 8. Consideration of the Resolution in relation to the Projected Continuing Connected Transaction between the Company and Fujian Triplex Auto Services Co., Ltd. for the Year of 2018; 9. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Fuzhou Fuyao Mold Technology Co., Ltd. for the Year of 2018; 10. Consideration of the Resolution in relation to the Lease of Properties by Fuyao Europe GmbH, a Wholly-owned Subsidiary of the Company, from Global Cosmos German Limited	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting

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

The Board of Supervisors 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 2017, to ensure the remuneration of the senior management was closely linked to their management and operations 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.

XV. CONTRACT OF SERVICE OF DIRECTORS AND SUPERVISORS

None of the existing directors and supervisors of the eighth 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.

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XVI. INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

The Company regards information disclosure and investor relationship as very important work. In 2017, 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 and implemented the true, accurate, complete, timely and fair disclosure of information. Meanwhile, the Company further strengthened communication with investors, analysts, financial media, and effectively protected the legitimate rights and interests of investors, especially small investors. The Company communicated with the investors through channels such as non-deal roadshows, earnings call, conference calls, visits reception, investor relations hotline, dedicated mailbox, "the Shanghai interactive e" platform pipeline. The Company also set the website http://www.fuyaogroup.com, for public inspection of the Company's business development and management, 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 April 26, 2017, the Company convened the 2016 annual general meeting, at which the Resolution on Amendment to the Articles of Association of the Company was considered and approved. "The Company shall have four to six vice presidents" in the original Article 185 of the Articles of Association was amended to "The Company shall have certain vice presidents". Save for the foregoing, there was no change in other articles. For particulars, please refer to the Announcement on Proposed Amendments to the Articles of Association of Fuyao Glass Industry Group Co., Ltd. dated February 25, 2017 and the Announcement on Poll Results of the 2016 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd. dated April 27, 2017 published on Shanghai Securities News, China Securities Journal and Securities Times as well as the websites of SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).

XVIII. REMUNERATION OF THE AUDITORS

Please refer to "III. The Appointment and Dismissal of Accountants" of "Section VII Significant Events" of the 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, was responsible for providing opinions concerning corporate governance to the Board of Directors, and the organization and record-keeping of the general meeting and meetings of the Board of the Directors of the Company.

To maintain good corporate governance, and to ensure compliance with the Hong Kong Listing Rules, the Company has engaged Ms. Kam Mei Ha, Wendy (a 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 of Ms. Kam Mei Ha, Wendy is Mr. Chen Xiangming.

In 2017, Mr. Chen Xiangming and Ms. Kam Mei Ha, Wendy were in compliance with the training requirements as stipulated in Rule 3.29 of the Hong Kong Listing Rules.

XX. WHETHER TO DISCLOSE INTERNAL SELF EVALUATION REPORT

Please refer to Shanghai Securities News, China Securities Journal and Securities Times as well as the websites of SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk) dated March 17, 2017 for the detailed Internal Control Evaluation Report.

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XXI. RELEVANT INFORMATION ON INTERNAL CONTROL AUDIT REPORT

(I) Statement of the Responsibilities for Internal Control

The Board of Directors is responsible for evaluation of the effectiveness of the establishment and implementation of internal controls, and the truthful disclosure of internal control evaluation report. In accordance with the relevant requirements of Company Law, Securities Law, Accounting Law, Basic Regulation of Internal Control and its supporting guidelines, the Internal Control Guidelines for Listed Companies, and other internal control supervisory 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 2017, according to internal and external business environment changes, the Company's business development and regulations, revision of the internal control system evaluation criteria is organized to ensure that the annual internal risk management evaluation of this year was more realistic, scientific and efficient. Also, on-site assistance for tests on the effectiveness of the internal control system was concretely implemented, so as to ensure the deepening idea of risk management and reasonable control of the Company, and to make sure that regulations for all operations and management of the Company, the operation, risk prevention, assets security, financial reports and information disclosure are all regulated and thus the effectiveness and efficiency were increased, enhancing the Company's implementation of development strategy.

(II) The Establishment of Internal Control System

The Company has always been dedicated to the establishment of an internal control system in line with international standards and regulatory requirements, and keeps optimizing the internal control system based on its risk exposure and control conditions.

In the aspects of the risk management oriented internal control system and structure, according to the requirements of relevant laws and regulations, regulatory requirements and internal systems, the Company has established an internal control system with sound organizational structure, clear responsibilities, and clear division of labor and sophisticated staffing. 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. Audit Committee and audit department were set 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 supervised, reviewed, evaluated and implemented internal control on the risk management of the Company and its holding company subsidiaries, coordinated the internal control audit and other relevant issues. The management of the Company was responsible for leading an effective operation of the risk management -oriented internal control system. During the Reporting Period, the Board of Directors reviewed the internal control and risk management system and considered it effective and adequate.

The Company established the internal control system of material information, and procedures and internal supervisory measures addressing and disseminating price-sensitive information. The Company established systems relating to information disclosure, sensitive information verification, and registration and management system of inside information in accordance with the regulatory requirements to prevent the inappropriate use and disseminating of sensitive information. Meanwhile, the Company carried out information disclosure in a true, accurate, complete, and responsive manner pursuant to the laws and regulations including the Hong Kong Listing Rules, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Articles of Association, and Administrative Measures for the Disclosure of Information of Listed Companies, so as to ensure equal opportunities of all investors to timely access relevant information of the Company.

Section X Company Governance and Corporate Governance Report

During the Reporting Period, in accordance with the laws and regulations of the PRC and requirements of regulatory authorities, in aiming of building a top-tier international enterprise, in combination with the need of management of the Company, the Company implemented the "regulation+1" compliance concept, fulfilled and insisted the principle of "clear aim, comprehensive coverage, regulated operation, appropriate implementation, forceful supervision", constantly improved the risk management oriented internal control and evaluation system. Meanwhile, the Company actively consolidated the local and international regulators' advanced standards, measures and tools of risk management, constructing a standardized risk management and internal control system.

In 2017, the Company conducted the annual review of the list of risk management, the supporting internal control system and evaluation system to ensure consistency and appropriateness of the risk management-oriented internal control system to be integrated into business and processes. Meanwhile, the Company implemented trainings and tests for all in connection with risk management and internal control system, reasserted the risk management awareness of all, and comprehensively implemented precaution measures of risk management. The Company enhanced the coordination and corporation of the three lines of defense: "the self-evaluation of the business and functional departments, the self-evaluation of the audit department, the internal audit implemented by the appointed auditors", enhanced the smooth operation of the internal control system as a whole, strengthened the business departments' ability to directly assume the responsibilities of risk management and control, enhanced the routine risk management and internal control which can be described as "Everyone has Risk Management Consciousness, Everyone is Involved in Internal Control, Everyone is Responsible for Compliance", safeguarding the Company in its journey to the achieve its great strategic objectives.

Whether to disclose the internal control audit report: Yes

Section XI Relevant Information of 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	800,000,000	3%	Interest will be payable annually, and the principal will be repaid upon maturity	SSE

Interest Payment of Corporate Bonds

The first term for calculating interest of 16 FUYAO 01 is from July 22, 2016 to July 21, 2017 with a coupon rate (annual interest rate) of 3.00%. The Company has completed the payment of interest on bonds. 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, China Securities Journal, Securities Times, and the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

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. THE USE OF CAPITAL RAISED FROM CORPORATE BONDS

1. 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 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:

Section XI Relevant Information of Corporate Bonds

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		410,977,141.66	

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		386,944,732.77

2. Procedures to 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 is no operational anomaly in specific accounts of proceeds raised from Current Corporate Bonds.

Section XI Relevant Information of 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 is rated as AAA, and 16 FUYAO 01's credit rating is rated as AAA, indicating that the Company has a strong ability to repay debts and minimal risk of default, and is less likely to be impacted by adverse economic environment.

On April 19, 2017, China Chengxin Securities Rating Co., Ltd. carried out 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 remains AAA. Due to stable prospects of the credit rating, the credit rating of Current Corporate Bonds remains AAA.

For details of relevant follow-up rating report, 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) dated April 21, 2017 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/).

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 is no guarantee in connection with Current Corporate Bonds.

2. Implementation of the debt repayment plan of Current Corporate Bonds

After the issuance of Current Corporate Bonds, the Company further strengthened the operation management and fund management according to its debt structure, and secured the timely provision of sufficient funds for the payment of annual interest and matured principal, in order to fully protect the interests of eligible investors.

During the Reporting Period, the Company realized revenue of RMB18,715,609,000, representing an increase of 12.60% as compared with the corresponding period last year; realized profit before taxation of RMB3,679,195,000, representing a decrease of 6.12% as compared with the corresponding period last year, which was mainly due to an exchange loss of RMB387,507,000 (the exchange gains were RMB458,716,000 in 2016) resulting from the RMB appreciation, and without taking this factor into account, the total profit during the Reporting Period represented a year-on-year increase of 17.53%; and the Company realized an annual profit attributable to equity holders of the Company of RMB3,148,221,000, representing an increase of 0.15% as compared with the corresponding period last year; earnings per share was RMB1.25, keeping unchanged as compared with the corresponding period last year.

During the Reporting Period, net cash flow from operating activities of the Company amounted to RMB4,658,218,000, representing an increase of 31.90% as compared with the corresponding period last year.

Section XI Relevant Information of Corporate Bonds

3. Emergency guarantee plan for debt repayment

In addition, in the case of significantly adverse changes in the operation conditions of the Company during the payment of principal and interest of Current Corporate Bonds, the emergency guarantee plan shall include:

(1) Realization of current assets

As at December 31, 2017, the balance of current assets in the financial statements of the Company was RMB17,115,637,000, and the balance of current assets excluding inventories was RMB16,759,981,000.

(2) Utilization of external financing channels

The Company maintained good cooperation with financial institutions including banks for a long time and obtained a high line of credit from several banks with strong capability of indirect debt financing. As at December 31, 2017, the Company obtained total credit of RMB27.350 billion from several financial institutions including Industrial and Commercial Bank of China Co., Ltd. and Bank of China Limited, of which RMB7.857 billion had been used, and RMB19.493 billion had not been used. In addition, the Company could also make debt financing through other financing channels in domestic and overseas capital markets with strong financing capability.

4. Implementation of repayment assurance measures

The Company formulated five assurance measures for the repayment of Current Corporate Bonds: strictly using the capital raised for the purpose of fundraising, designating special persons for the repayment of Current Corporate Bonds, giving full play to the role of the bond trustee, formulating rules for the bondholders' meeting, and making strict information disclosure.

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 2016 Bond Trustee Management Services Report of Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd., details of which are set out in the announcement dated June 24, 2017 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 of 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	**2017**	2016	Increase/ decrease as compared with the corresponding period of last year *(%)*	Reason for the changes
Earnings before interest, taxes, depreciation and amortization[1]	**526,048.73**	533,200.67	-1.34	
Current ratio *(times)*[2]	**1.55**	1.54	0.65	
Quick ratio *(times)*[3]	**1.25**	1.26	-0.79	
Gearing ratio[4]	**40.05%**	39.60%	0.45	
Total debt to EBITDA ratio[5]	**0.59**	0.68	-13.24	
Interest coverage ratio *(times)*[6]	**16.34**	19.98	-18.22	
Cash interest coverage ratio *(times)*[7]	**25.63**	28.66	-10.57	
EBITDA interest coverage ratio *(times)*[8]	**22.26**	26.13	-14.81	
Loan repayment ratio[9]	**100%**	100%	–	
Interest repayment ratio[10]	**100%**	100%	–	

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 + financial liabilities at fair value through profit or loss + notes payable + short-term bonds payable (other current liabilities) + non-current liabilities due within one year

(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

Section XI Relevant Information of Corporate Bonds

(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, other bonds and debt financing instruments of the Company were paid on time, and there was no 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, 2017, the Company had a total bank credit of RMB27.350 billion, of which RMB7.857 billion had been used and RMB19.493 billion 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.

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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 124 to 203, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 policy.

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 2017, 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.

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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.

The 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. For the year ended 31 December 2017, revenue from sales to China OEM customers amounted to RMB11,093 million, which represented approximately 59% of total revenue.

Refer to note 2.28(a) 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. After the acceptance of the products, the customers have the right to sell or use the products on its own interests and bear the risk of price fluctuation or damage to the products. 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 risks and rewards terms of the sales contracts and customers' acceptance documents. In addition, we confirmed the balance of trade receivables and also the total sales amount 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.

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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

- 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 *Wong Kam Chin*.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2018

Section XII Financial Report

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**14,990,303**	13,416,477
Leasehold land and land use rights	7	**982,852**	1,026,359
Intangible assets	8	**143,549**	157,103
Investments in a joint venture	9	**43,381**	40,065
Investments in an associate	9	**52,139**	61,472
Long-term prepaid rental expenses	10	**26,840**	33,537
Deferred income tax assets	11	**280,596**	193,404
Other non-current asset	13	**191,212**	290
		16,710,872	14,928,707
Current assets			
Inventories	12	**2,974,677**	2,785,865
Trade and other receivables	13	**5,198,127**	4,952,027
Financial assets at fair value through profit or loss	15	**101,928**	–
Derivative financial instruments	15	**3,561**	1,951
Restricted cash	14	**23,904**	12,345
Cash and cash equivalents	14	**6,704,296**	7,198,834
		15,006,493	14,951,022
Total assets		**31,717,365**	29,879,729
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	**2,508,618**	2,508,618
Share premium	17	**6,202,553**	6,202,553
Other reserves	17	**1,730,086**	1,751,558
Retained earnings	18	**8,572,934**	7,584,771
		19,014,191	18,047,500
Non-controlling interests		**4,423**	4,928
Total equity		**19,018,614**	18,052,428

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CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2017

		As at 31 December	
	Note	**2017** **RMB'000**	2016 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	19	**2,509,605**	1,573,531
Deferred income tax liabilities	11	**75,790**	80,408
Deferred income on government grants	20	**434,604**	461,923
		3,019,999	2,115,862
Current liabilities			
Trade and other payables	21	**4,040,028**	3,585,112
Current income tax liabilities		**200,882**	434,780
Borrowings	19	**5,387,661**	5,671,642
Derivative financial instruments	15	**23,190**	–
Current portion of deferred income on government grants	20	**26,991**	19,905
		9,678,752	9,711,439
Total liabilities		**12,698,751**	11,827,301
Total equity and liabilities		**31,717,365**	29,879,729

The notes on pages 130 to 203 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 124 to 203 were approved by the Board of Directors on 16 March 2018.

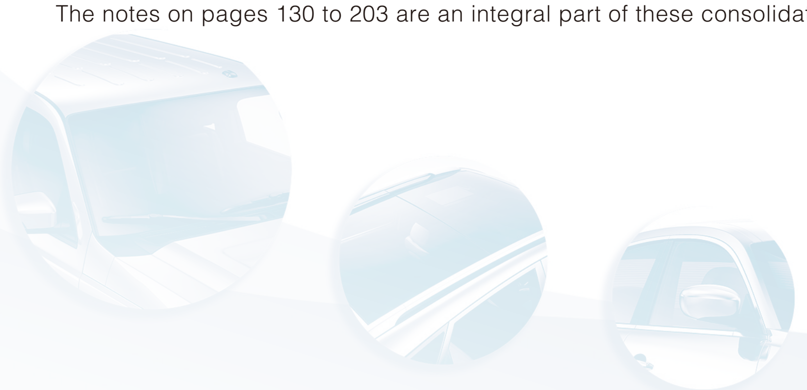
Section XII Financial Report

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	22	**18,715,609**	16,621,336
Cost of sales	22, 25	**(10,917,999)**	(9,648,615)
Gross profit		**7,797,610**	6,972,721
Distribution costs and selling expenses	25	**(1,274,309)**	(1,184,740)
Administrative expenses	25	**(1,803,411)**	(1,673,626)
Research and development expenses	25	**(803,441)**	(727,586)
Other income	23	**188,117**	89,542
Other (loss)/gains – net	24	**(393,640)**	493,785
Operating profit		**3,710,926**	3,970,096
Finance income	27	**156,659**	106,576
Finance costs	27	**(182,373)**	(157,713)
Finance costs – net		**(25,714)**	(51,137)
Share of results of joint venture and associate	9	**(6,017)**	(112)
Profit before income tax		**3,679,195**	3,918,847
Income tax expense	28	**(531,479)**	(776,909)
Profit for the year		**3,147,716**	3,141,938
Profit attributable to:			
Equity holders of the Company		**3,148,221**	3,143,449
Non-controlling interests		**(505)**	(1,511)
Profit for the year		**3,147,716**	3,141,938
Earnings per share for profit attributable to equity holders of the Company during the year			
– Basic and diluted earnings per share *(expressed in RMB per share)*	29(a)	**1.25**	1.25

The notes on pages 130 to 203 are an integral part of these consolidated financial statements.



Section XII Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**3,147,716**	3,141,938
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**(295,447)**	362,405
Other comprehensive income for the year, net of tax	**(295,447)**	362,405
Total comprehensive income for the year	**2,852,269**	3,504,343
Total comprehensive income attributable to:		
Equity holders of the Company	**2,852,774**	3,505,854
Non-controlling interests	**(505)**	(1,511)
Total comprehensive income for the year	**2,852,269**	3,504,343

The notes on pages 130 to 203 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 2017

		Attributable to equity holders of the Company						
	Note	**Share capital** *RMB'000* *(Note 16)*	**Share premium** *RMB'000* *(Note 17)*	**Other reserves** *RMB'000* *(Note 17)*	**Retained earnings** *RMB'000* *(Note 18)*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2016		2,508,618	6,202,553	1,098,091	6,614,026	16,423,288	6,439	16,429,727
Comprehensive income:								
Profit for the year		–	–	–	3,143,449	3,143,449	(1,511)	3,141,938
Other comprehensive income:								
Currency translation differences – Group		–	–	362,405	–	362,405	–	362,405
Total comprehensive income		–	–	362,405	3,143,449	3,505,854	(1,511)	3,504,343
Total transaction with equity holders:								
Dividends relating to 2015	30	–	–	–	(1,881,463)	(1,881,463)	–	(1,881,463)
Others		–	–	(179)	–	(179)	–	(179)
Total transaction with equity holders, recognised directly in equity		–	–	(179)	(1,881,463)	(1,881,642)	–	(1,881,642)
Appropriation to statutory reserve	17	–	–	291,241	(291,241)	–	–	–
Balance at 31 December 2016		2,508,618	6,202,553	1,751,558	7,584,771	18,047,500	4,928	18,052,428
Balance at 1 January 2017		**2,508,618**	**6,202,553**	**1,751,558**	**7,584,771**	**18,047,500**	**4,928**	**18,052,428**
Comprehensive income:								
Profit for the year		**–**	**–**	**–**	**3,148,221**	**3,148,221**	**(505)**	**3,147,716**
Other comprehensive income:								
Currency translation differences – Group		**–**	**–**	**(295,447)**	**–**	**(295,447)**	**–**	**(295,447)**
Total comprehensive income		**–**	**–**	**(295,447)**	**3,148,221**	**2,852,774**	**(505)**	**2,852,269**
Total transaction with equity holders:								
Dividends relating to 2016	30	**–**	**–**	**–**	**(1,881,463)**	**(1,881,463)**	**–**	**(1,881,463)**
Others		**–**	**–**	**(4,620)**	**–**	**(4,620)**	**–**	**(4,620)**
Total transaction with equity holders, recognised directly in equity		**–**	**–**	**(4,620)**	**(1,881,463)**	**(1,886,083)**	**–**	**(1,886,083)**
Appropriation to statutory reserve	17	**–**	**–**	**278,595**	**(278,595)**	**–**	**–**	**–**
Balance at 31 December 2017		**2,508,618**	**6,202,553**	**1,730,086**	**8,572,934**	**19,014,191**	**4,423**	**19,018,614**

The notes on pages 130 to 203 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flow from operating activities			
Cash generated from operations	31(a)	**5,511,569**	4,145,366
Income tax paid		**(853,351)**	(613,628)
Net cash generated from operating activities		**4,658,218**	3,531,738
Cash flow from investing activities			
Proceeds from disposal of subsidiaries and joint ventures	31(c)	**148,151**	212,517
Proceeds from disposal of property, plant and equipment	31(b)	**72,934**	52,725
Proceeds from disposal of intangible assets and land use rights	31(b)	**10,570**	2,330
Purchases of property, plant and equipment		**(3,402,861)**	(3,537,655)
Purchases of leasehold land and land use rights		**(173,973)**	(10,702)
Purchases of intangible assets		**(13,161)**	(19,204)
Purchase of financial assets at fair value through profit or loss		**(100,000)**	–
Funding to an associate		**(190,000)**	–
Interest received		**156,659**	106,576
Dividends received	9	**–**	9,800
(Increase)/Decrease in restricted cash		**(11,559)**	1,342
Government grants received relating to property, plant and equipments	20	**127,650**	114,276
Net cash used in investing activities		**(3,375,590)**	(3,067,995)
Cash flows from financing activities			
Proceeds from borrowings		**10,648,891**	10,013,567
Repayments of borrowings		**(9,989,268)**	(7,553,967)
Dividends paid to Company's shareholders		**(1,881,463)**	(1,881,463)
Interest paid		**(229,375)**	(153,648)
Transaction with non-controlling interest		**(4,620)**	–
Net cash (used in)/generated from financing activities		**(1,455,835)**	424,489
Net (decrease)/increase in cash and cash equivalents		**(173,207)**	888,232
Cash and cash equivalents at beginning of the year		**7,198,834**	5,906,233
Exchange differences on cash and cash equivalents		**(321,331)**	404,369
Cash and cash equivalents at end of the year		**6,704,296**	7,198,834

The notes on pages 130 to 203 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 2017

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 main board of The Stock Exchange of Hong Kong Limited ("H shares"). As at 31 December 2017, 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 17.43% 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 automobile glass.

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.

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 under the historical cost convention, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis Of Preparation (Continued)

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

– Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

– Amendments to IAS 7, 'Disclosure initiative'

Amendments as mentioned above have no material effect on the Group's operating results, financial position or comprehensive income.

(b) New standards and interpretations not yet adopted

The following new standards and interpretations to existing standards which have been issued but are not effective for annual periods beginning after 1 January 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019 or when apply IFRS 15

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied.

The Group has already commenced an assessment on the impact of applying the new standard. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when it becomes effective.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis Of Preparation (Continued)

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

IFRS 9, "Financial Instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis Of Preparation (Continued)

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

While the Group has yet to undertake a detailed assessment, there will be no significant impact on the Group's accounting for financial assets and liabilities. As the Group expects that its financial assets and liabilities currently measured at amortised cost will continue with their respective classification and measurements. And the Group does not hold financial assets currently classified as available-for-sale (AFS), financial assets currently measured at fair value through profit or loss or financial liabilities currently measured at fair value through profit or loss.

The directors of the Company expect the new impairment model introduced by IFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of IAS 39.

IFRS 16 "Leases". The Group is the lessee of several buildings which are currently classified as operating lease. The Group's current accounting policy for such leases is set out in Note 2.27 with the Group's future operating lease commitments, which are not reflected in the consolidated statement of financial position, set out in Note 33. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in right of use assets and an increase in financial liabilities in the consolidated statement of financial position. In the statement of profit or loss, as a result, the operating expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase.

The directors consider that the adoption of the new standard will have some impact on the financial position of the Group as the related right-of-use assets and lease liabilities will be recognised upon adoption of the new standard on 1 January 2019. However, the impact to the financial performance of the Group will be immaterial as the impact of amortisation of the right-of-use assets and unwinding the discount of the related payable will not be materially different from the operating lease charges that would have been recognised under the current standard.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group 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 2017

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries

2.2.1 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.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.2 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.

2.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.4 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.

2.5 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.

2.6 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.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.6 Foreign Currency Translation (Continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.7 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	10 to 20 years
Machinery and equipment	10 to 12 years
Electronic and office equipment	5 years
Tools, dies, 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 2.10).

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

2.8 Leasehold Land and Land Use Rights

Leasehold land and 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 2.10). Amortisation is calculated using the straight-line method to allocate the cost of leasehold land and 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 2017

2 Summary of Significant Accounting Policies (Continued)

2.9 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 is monitored at the operating segment level.

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

Acquired licenses are shown at historical cost. Licenses 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.10 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.

2.11 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, expect 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.

2.12 Financial Assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted cash" and "cash and cash equivalents", in the consolidated balance sheets (Note 13 and 14).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.12 Financial Assets (Continued)

2.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statements. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statements within 'other gains/(losses) – net' in the period in which they arise.

2.13 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.

2.14 Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statements. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.14 Impairment of Financial Assets (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

2.15 Inventories

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

2.16 Trade and Other Receivables

Trade receivables are amounts due from customers for products sold or services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.20 Trade and Other Payables

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

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

2.21 Borrowings

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.23 Derivative Financial Instruments

Derivative financial instruments refer to the forward foreign exchange 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'.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.24 Current and Deferred Income Tax (Continued)

(b) Deferred income tax (Continued)

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.

(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

(a) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group. The non-PRC employees are covered by other defined contribution pension plans sponsored by local government.

The contributions are recognised as employee benefit expense when they are due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.25 Employee Benefits (Continued)

(b) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

2.26 Provision and Contingent Liabilities

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

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

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

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

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

2.27 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.28 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement

(a) 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. After the acceptance of the products, the customers have the right to sell and use the products on its own interests and bear the risk of price fluctuation or damage to the products. 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 products have been shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income from operating lease

Rental income from operating lease is recognised in the consolidated income statements on a straight-line basis over the term of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2 Summary of Significant Accounting Policies (Continued)

2.29 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, among which those are credited to the consolidated income statements in the upcoming 12 months are classified as current liabilities.

For those cash injection received from government with clear instruction as capital injection from government authorities, they have been recorded as “other reserve” during the year.

2.30 Dividend Distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s consolidated financial statements in the period in which the dividends are approved by the Company’s shareholders, where appropriate.

2.31 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 2017

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.

As at 31 December 2017 and 2016, if RMB had strengthened/weakened by 10% against the foreign currencies while all other variables had been held constant, the Group's net profit for the year 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:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net profit increase/(decrease)		
USD		
– Strengthened 10%	**(404,764)**	(494,881)
– Weakened 10%	**404,764**	494,881
EUR		
– Strengthened 10%	**(19,754)**	(16,892)
– Weakened 10%	**19,754**	16,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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 cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings.

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

As at 31 December 2017 and 2016, 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	
	2017	2016
	RMB'000	*RMB'000*
Net profit increase/(decrease)		
– risen 50 basis points	**(7,319)**	(3,111)
– fallen 50 basis points	**7,319**	3,111

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

Cash and cash equivalents, including restricted cash, were deposited in the major financial institutions in the PRC, which the directors believe are of high credit quality.

The Group established policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers and volume of sales. See Note 13 for ageing analysis. Management make periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

The Group uses credit insurance to control the default risk of trade receivables.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(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 2017 and 2016:

	Year ended 31 December	
	2017 *RMB'000*	2016 *RMB'000*
Bank credit		
Expiring within one year	**14,202,164**	11,506,092
Expiring beyond one year	**5,290,890**	7,825,835
	19,493,054	19,331,927

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.

	Less than 1 year *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Total** *RMB'000*
As at 31 December 2017				
Borrowings, including interest payables	**5,544,660**	**2,386,197**	**198,524**	**8,129,381**
Derivative financial instruments *(Note 15)*	**23,190**	**–**	**–**	**23,190**
Financial liabilities included in trade and other payables	**3,440,946**	**–**	**–**	**3,440,946**
	9,008,796	**2,386,197**	**198,524**	**11,593,517**

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
As at 31 December 2016				
Borrowings, including interest payables	5,744,592	760,644	875,167	7,380,403
Financial liabilities included in trade and other payables	3,004,815	–	–	3,004,815
	8,749,407	760,644	875,167	10,385,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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 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 2017 and 2016 are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Total borrowings *(Note 19)*	**7,897,266**	7,245,173
Less: Cash and cash equivalents *(Note 14)*	**(6,704,296)**	(7,198,834)
Net liability	**1,192,970**	46,339
Total equity	**19,018,614**	18,052,428
Total capital	**20,211,584**	18,098,767
Net liability to equity ratio	**5.90%**	0.26%

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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 2017 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 2017				
Assets				
Derivative financial instruments				
– structure financial product	**–**	**101,928**	**-**	**101,928**
– foreign currency swap contracts	**–**	**3,561**	**–**	**3,561**
	–	**105,489**	**–**	**105,489**
Liabilities				
Derivative financial instruments				
– forward foreign exchange contract	**–**	**332**	**–**	**332**
– foreign currency swap contracts	**–**	**22,324**	**–**	**22,324**
– foreign currency option contracts	**–**	**534**	**–**	**534**
	–	**23,190**	**–**	**23,190**
As at 31 December 2016				
Assets				
Derivative financial instruments				
– forward foreign exchange contract	–	1,951	–	1,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3 Financial Risk Management (Continued)

3.3 Fair Value Estimation (Continued)

(b) Valuation techniques used to derive Level 2 fair values

Level 2 derivative financial instruments represent forward foreign exchange contracts. These forward foreign exchange contracts and short call on foreign exchange have been fair valued using forward exchange rate that are quoted in the active market.

(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 advance from customers and statutory liabilities).

4 Critical Accounting Estimates and Judgements

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.

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.

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

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

4 Critical Accounting Estimates and Judgements (Continued)

(b) Net realisable value of inventories

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

(c) Current and deferred income tax

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

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

(d) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

4 Critical Accounting Estimates and Judgements (Continued)

(e) Impairment of non-financial assets

Non-financial assets including property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being 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; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statements.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

6 Property, Plant and Equipment

	Buildings and freehold land RMB'000	Machinery and equipment RMB'000	Electronic and office equipment RMB'000	Tools, dies, vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2016						
Opening net book amount	2,680,894	4,450,069	542,823	290,176	2,842,567	10,806,529
Currency translation difference	83,441	69,616	1,993	312	132,989	288,351
Transfer	399,001	1,303,759	221,938	148	(1,924,846)	–
Other additions	280,521	191,351	166,876	203,599	2,771,254	3,613,601
Disposals *(Note 31(b))*	(11,602)	(15,904)	(39,757)	(4,406)	–	(71,669)
Disposals of subsidiaries	(560)	(14,588)	(1,519)	(2,376)	–	(19,043)
Depreciation *(Note 25)*	(192,811)	(694,249)	(161,413)	(152,819)	–	(1,201,292)
Closing net book amount	3,238,884	5,290,054	730,941	334,634	3,821,964	13,416,477
At 31 December 2016						
Cost	4,439,804	9,761,380	1,447,601	1,019,216	3,821,964	20,489,965
Accumulated depreciation	(1,200,920)	(4,471,326)	(716,660)	(684,582)	–	(7,073,488)
Net book amount	3,238,884	5,290,054	730,941	334,634	3,821,964	13,416,477
Year ended 31 December 2017						
Opening net book amount	**3,238,884**	**5,290,054**	**730,941**	**334,634**	**3,821,964**	**13,416,477**
Currency translation difference	**(38,902)**	**(96,728)**	**(3,659)**	**(195)**	**(151,596)**	**(291,080)**
Transfer	**1,349,483**	**1,358,021**	**233,838**	**2,602**	**(2,943,944)**	**–**
Other additions	**168,204**	**94,852**	**234,298**	**335,786**	**2,485,653**	**3,318,793**
Disposals *(Note 31(b))*	**(16,140)**	**(62,848)**	**(22,578)**	**(4,335)**	**–**	**(105,901)**
Disposal of a subsidiary	**–**	**(216)**	**(11)**	**–**	**–**	**(227)**
Reconstruction of certain product lines	**(19,114)**	**(126,489)**	**(9,103)**	**–**	**154,706**	**–**
Depreciation *(Note 25)*	**(216,598)**	**(727,188)**	**(210,550)**	**(193,423)**	**–**	**(1,347,759)**
Closing net book amount	**4,465,817**	**5,729,458**	**953,176**	**475,069**	**3,366,783**	**14,990,303**
At 31 December 2017						
Cost	**5,848,939**	**9,974,394**	**1,845,901**	**1,322,682**	**3,366,783**	**22,358,699**
Accumulated depreciation	**(1,383,122)**	**(4,244,936)**	**(892,725)**	**(847,613)**	**–**	**(7,368,396)**
Net book amount	**4,465,817**	**5,729,458**	**953,176**	**475,069**	**3,366,783**	**14,990,303**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

6 Property, Plant and Equipment (Continued)

(a) As at 31 December 2017, the Group was still in the process of applying for the ownership certificates of certain buildings with aggregated carrying amounts of approximately RMB989,882,000 (31 December 2016: RMB696,189,000). 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 RMB53,976,000 (2016: RMB46,376,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 3.14 % (2016: 2.40%).

7 Leasehold Land and Land Use Rights

Leasehold land and land use rights represent prepaid operating lease payments for land mainly located in the PRC which are held on leases between 20 to 49 years.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Opening net book value	**1,026,359**	1,067,429
Currency translation difference	**(991)**	963
Additions	**173,973**	10,702
Disposal	**(3,821)**	(702)
Disposal of subsidiaries	**(189,092)**	(28,000)
Amortisation charges *(Note 25)*	**(23,576)**	(24,033)
Closing net book value	**982,852**	1,026,359

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

8 Intangible Assets

	Goodwill *RMB'000*	Patents *RMB'000*	License fee *RMB'000*	Computer software *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2016						
Opening net book amount	74,678	6,063	42,666	18,096	12,409	153,912
Currency translation difference	–	–	2,625	287	15	2,927
Additions	–	–	–	19,316	–	19,316
Disposal of subsidiaries	–	–	–	(244)	–	(244)
Amortisation *(Note 25)*	–	(2,205)	(3,486)	(10,301)	(2,816)	(18,808)
Closing net book amount	74,678	3,858	41,805	27,154	9,608	157,103
At 31 December 2016						
Cost	74,678	29,383	74,132	68,235	30,953	277,381
Accumulated amortisation	–	(25,525)	(32,327)	(41,081)	(21,345)	(120,278)
Net book amount	74,678	3,858	41,805	27,154	9,608	157,103
Year ended 31 December 2017						
Opening net book amount	**74,678**	**3,858**	**41,805**	**27,154**	**9,608**	**157,103**
Currency translation difference	**–**	**–**	**(2,184)**	**(514)**	**30**	**(2,668)**
Additions	**–**	**–**	**–**	**12,231**	**930**	**13,161**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**(3,160)**	**(3,160)**
Amortisation *(Note 25)*	**–**	**(1,765)**	**(3,285)**	**(14,085)**	**(1,752)**	**(20,887)**
Closing net book amount	**74,678**	**2,093**	**36,336**	**24,786**	**5,656**	**143,549**
At 31 December 2017						
Cost	**74,678**	**29,383**	**71,714**	**80,065**	**22,212**	**278,052**
Accumulated amortisation	**–**	**(27,290)**	**(35,378)**	**(55,279)**	**(16,556)**	**(134,503)**
Net book amount	**74,678**	**2,093**	**36,336**	**24,786**	**5,656**	**143,549**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

8 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	
	2017	2016
	RMB'000	*RMB'000*
Fujian Wanda Automobile Glass Industry Co., Ltd. *(Note (i))*	**62,744**	62,744
Hainan Wenchang Fuyao Silica Sand Co., Ltd. *(Note (ii))*	**11,934**	11,934
	74,678	74,678

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) Fujian Wanda Automobile Glass Industry Co., Ltd.

	Year ended 31 December	
	2017	2016
Gross profit margin	**39%**	34%
Pre-tax discount rate	**11%**	11%
Growth rate	**3%**	3%

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

	Year ended 31 December	
	2017	2016
Gross profit margin	**61%**	48%
Pre-tax discount rate	**9%**	9%
Growth rate	**3%**	3%

As at 31 December 2017 and 2016, management performed the value-to-use calculation and no impairment is identified.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

9 Investments Accounted For Using The Equity Method

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Share of net assets, unlisted		
– Joint Venture	**43,381**	40,065
– Associate	**52,139**	61,472
	95,520	101,537
Joint Venture		
Beginning of the year	**40,065**	46,449
– Dividends received	**–**	(9,800)
– Share of results	**3,316**	3,416
End of the year	**43,381**	40,065
Associate		
Beginning of the year	**61,472**	–
– Addition	**–**	65,000
– Share of results	**(9,333)**	(3,528)
End of the year	**52,139**	61,472

(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
			2017	2016	
			RMB'000	*RMB'000*	
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Fuzhou, the PRC, 2005	49%	**43,381**	40,065	Production and processing of paper articles and printed matter, especially corrugated paper

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

9 Investments Accounted For Using The Equity Method (Continued)

(a) Joint venture (Continued)

(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 2017	**52,292**	**8,911**	**64,226**	**3,316**	**43,381**
Year ended 31 December 2016	46,192	6,127	65,704	3,416	40,065

(b) Associate

(i) The Group's investments in associate 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 2017 RMB'000	2016 RMB'000	Principle activities
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	Shuangliao, the PRC, 2003	25%	**52,139**	61,472	Production and sales of float glass

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

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Loss RMB'000	Net assets RMB'000
Year ended 31 December 2017	**98,482**	**51,002**	**2,219**	**(9,333)**	**47,480**
Year ended 31 December 2016	58,132	1,320	410	(3,528)	56,812

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

10 Long-Term Prepaid Rental Expenses

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cost	**78,795**	78,795
Accumulated amortisation	**(51,955)**	(45,258)
Net book amount	**26,840**	33,537

11 Deferred Income Tax Assets and Liabilities

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered within 12 months	**144,428**	116,300
– to be recovered after more than 12 months	**600,246**	550,232
	744,674	666,532
Offset against deferred income tax liabilities	**(464,078)**	(473,128)
Net deferred income tax assets	**280,596**	193,404
Deferred income tax liabilities:		
– to be recovered within 12 months	**1,882**	260
– to be recovered after more than 12 months	**537,986**	553,276
	539,868	553,536
Offset against deferred income tax assets	**(464,078)**	(473,128)
Net deferred income tax liabilities	**75,790**	80,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

11 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) RMB'000	Impairment provision RMB'000	Accruals RMB'000	Unrealised profit (b) RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At 31 December 2016	271,337	1,865	6,832	144,720	48,936	192,842	666,532
Recognized in the consolidated income statements	213,322	(664)	1,140	(14,670)	(4,838)	(88,108)	106,182
Impact in exchange rate change	(19,174)	(44)	(9)	–	(530)	(8,283)	(28,040)
At 31 December 2017	**465,485**	**1,157**	**7,963**	**130,050**	**43,568**	**96,451**	**744,674**

(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 2017, the Group did not recognise deferred income tax assets of RMB581,643,000 (2016: RMB627,469,000) in respect of the accumulated losses of RMB2,326,294,000 (2016: RMB1,864,127,000), loss amounting to RMB1,826,163,000 will be expired during the year 2018 to year 2037, loss amounting to RMB500.131,000 will be continued to be deducted after the year 2037.

(b) Unrealised profit mainly attributed to the unrealised profit from intra-group 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 RMB'000	Depreciation of property, plant and equipment RMB'000	Others RMB'000	Total RMB'000
At 31 December 2016	45,798	486,992	20,746	553,536
Recognised in the consolidated income statements	(2,323)	18,062	(1,366)	14,372
Impact in exchange rate change	–	(27,928)	(112)	(28,040)
At 31 December 2017	**43,475**	**477,126**	**19,268**	**539,868**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

12 Inventories

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Raw materials	**1,226,005**	1,184,533
Work in process	**115,678**	118,881
Finished goods	**1,630,799**	1,480,745
Low value consumables	**10,299**	11,019
	2,982,781	2,795,178
Less: write-down to net realisable value	**(8,104)**	(9,313)
	2,974,677	2,785,865

The cost of inventory recognised as expense and included in 'cost of sales' amounted to approximately RMB5,776,462,000 for the year ended 31 December 2017 (2016: RMB4,873,788,000) (Note 25).

Inventories are valued at the lower of cost and estimated net realisable value. Write-down of inventories to net realisable value recognised in the consolidated income statements during the year are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**9,313**	10,254
Write-down to net realisable value *(Note 25)*	**5,124**	11,036
Write-off of inventory provision	**(6,333)**	(11,977)
At end of the year	**8,104**	9,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

13 Trade and Other Receivables

	As at 31 December	
	2017	2015
	RMB'000	*RMB'000*
Trade receivables due from third parties *(a)*:		
Notes receivables	**921,383**	871,598
Accounts receivables	**3,661,632**	3,536,762
Less: provision for impairment	**–**	–
Trade receivables – net	**4,583,015**	4,408,360
Other receivables due from third parties *(b)*:		
Other receivables	**70,365**	95,775
Less: provision for impairment	**–**	–
Other receivables – net	**70,365**	95,775
Amount due from related parties *(Note 34(c))*:		
Accounts receivables	**54,629**	99,581
Other receivables	**197,970**	3,154
	252,599	102,735
Others:		
Prepayments to suppliers	**195,521**	150,957
Prepaid income tax and value-added tax recoverable and refundable	**287,839**	194,490
	483,360	345,447
Trade and other receivables	**5,389,339**	4,952,317
Less: non-current portion of prepaid income tax and value-added tax recoverable and refundable	**(1,212)**	(290)
Less: non-current portion of amount due from related parties *(i)*	**(190,000)**	–
	(191,212)	(290)
Trade and other receivables – net	**5,198,127**	4,952,027

(i) As at 31 December 2017, the non-current portion of amount due from related party represents a loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd. The loan will be due in 2019. 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 2017, the book value of the associate is RMB304,974,000.

(ii) As at 31 December 2017 and 2016, 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

13 Trade and Other Receivables (Continued)

As at 31 December 2017 and 2016, the carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
RMB	**4,040,828**	3,625,078
USD	**962,382**	1,049,138
EUR	**295,030**	210,470
Others	**91,099**	67,631
	5,389,339	4,952,317

(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 2017 and 2016 was as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables – gross		
– Within 3 months	**4,206,436**	4,108,067
– 3 to 6 months	**332,139**	265,927
– 6 to 12 months	**41,386**	22,239
– Over 1 year	**3,054**	12,127
	4,583,015	4,408,360

As at 31 December 2017, trade receivables of RMB153,683,000 (2016：RMB145,264,000), were past due but not impaired. Based on the past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there is no significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of these trade receivables past due but not impaired is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
– Within 3 months	**122,067**	110,214
– 3 to 6 months	**26,437**	17,899
– 6 to 12 months	**2,539**	14,292
– Over 1 year	**2,640**	2,859
	153,683	145,264

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

13 Trade and Other Receivables (Continued)

(a) (Continued)

Movements in impairment of trade receivables are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**–**	32
Provision for impairment	**17**	188
Write-off against uncollectible receivables	**(17)**	(220)
At the end of the year	**–**	–

(b) Details of other receivables are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Quality and performance guarantee deposits to customers	**14,649**	27,520
Payments on behalf of others	**18,379**	15,618
Receivable in connection with disposal of a subsidiary	**–**	12,500
Others	**37,337**	40,137
	70,365	95,775

14 Cash and Cash Equivalents and Restricted Cash

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cash at bank and on hand	**6,728,200**	7,211,179
Less: restricted cash *(b)*	**(23,904)**	(12,345)
Cash and cash equivalents *(a)*	**6,704,296**	7,198,834

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

14 Cash and Cash Equivalents and Restricted Cash (Continued)

(a) Cash and cash equivalents are denominated in:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
RMB	**1,615,010**	830,400
USD	**4,988,889**	6,251,133
EUR	**56,496**	87,226
RBL	**6,041**	1,163
Others	**37,860**	28,912
	6,704,296	7,198,834

(b) Details of restricted cash are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Deposits pledged for letter of credit and notes	**18,571**	6,901
Others	**5,333**	5,444
	23,904	12,345

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Restricted cash is denominated in:		
– RMB	**521**	5,716
– USD	**8,340**	3,854
– EUR	**15,043**	2,775
	23,904	12,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

15 Financial Assets at Fair Value Through Profit or Loss and Derivative Financial Instruments

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Current assets		
Structure financial product	**101,928**	–
Derivative financial instruments		
Current assets		
Foreign currency swap contracts – held for trading	**3,561**	–
Forward foreign exchange contracts – held for trading	**–**	1,951
	3,561	1,951
Current Liabilities		
Foreign currency swap contracts – held for trading	**22,324**	–
Foreign currency option contracts – held for trading	**534**	–
Forward foreign exchange contracts – held for trading	**332**	–
	23,190	–

Structure financial product are classified as a current asset or liability. As at 31 December 2017, the Group has subscribed earnings linked to JP Morgan Mozaic Weekly index 100% principal protected structured investment with principal of RMB100,000,000 (As at 31 December 2016: Nil).

Derivatives held for economic hedge purpose are classified as a current asset or liability. As at 31 December 2017, the Group has outstanding net-settled forward foreign currency exchange contracts to buy USD5,875,000 for EUR 4,896,000. Forward foreign currency exchange contracts as at 31 December 2016 to buy USD4,812,000 for EUR4,255,000 was settled on 23 August 2017.

As at 31 December 2017, the Group has outstanding net-settled currency swap contracts to buy USD20,000,000 for EUR 18,518,000 and to buy USD23,647,000 for RMB157,000,000 (As at 31 December 2016: Nil).

As at 31 December 2017, the contractual principal amount of selling call options that have not due yet are USD60,000,000. (As at 31 December 2016: 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 determine the fair value of financial assets at fair value through profit or loss and derivatives please refer to note 3.3.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

16 Share Capital

Ordinary shares, issued and fully paid:

	As at 31 December				
	Number of A shares	**Number of H shares**	**A shares of RMB1 each**	**H shares of RMB1 each**	**Total share capital**
	Thousands	*Thousands*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016 and 31 December 2017 *(a)*	2,002,986	505,632	2,002,986	505,632	2,508,618

(a) On 31 March 2015, the Company issued 439,679,600 new ordinary H shares of RMB1 each at HK$16.80 per share in connection with its global offering and raised gross proceeds of approximately HK$7,386,617,000 (equivalent to approximately RMB5,850,866,000). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on the same day.

On 28 April 2015, the Company issued 65,951,600 new ordinary H shares of RMB1 each at HK$16.80 per share by exercising over-allotment option, and raised gross proceeds of approximately HK$1,107,987,000 (equivalent to approximately RMB875,033,000).

The listing proceeds to the Company, net off listing expenses, were approximately RMB6,523,838,000 resulting in the increase in issued share capital of the Company by RMB505,632,000 and the share premium by RMB6,018,206,000.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

17 Share Premium and Other Reserves

		Other reserves			
	Share premium	Statutory reserves	Currency translation differences	Capital reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	6,202,553	1,343,079	(271,367)	26,379	1,098,091
Disposal of joint ventures	–	–	–	(179)	(179)
Appropriate to statutory reserves *(a)*	–	291,241	–	–	291,241
Currency translation differences	–	–	362,405	–	362,405
At 31 December 2016	6,202,553	1,634,320	91,038	26,200	1,751,558
Transaction with non-controlling interest	**–**	**–**	**–**	**(4,620)**	**(4,620)**
Appropriate to statutory reserves *(a)*	**–**	**278,595**	**–**	**–**	**278,595**
Currency translation differences	**–**	**–**	**(295,447)**	**–**	**(295,447)**
At 31 December 2017	**6,202,553**	**1,912,915**	**(204,409)**	**21,580**	**1,730,086**

(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.

18 Retained Earnings

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
At 1 January	**7,584,771**	6,614,026
Profit for the year	**3,148,221**	3,143,449
Dividends	**(1,881,463)**	(1,881,463)
Appropriation to statutory reserves *(Note 17)*	**(278,595)**	(291,241)
At 31 December	**8,572,934**	7,584,771

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

19 Borrowings

	As at 31 December	
	2017 **RMB'000**	2016 *RMB'000*
Non-current:		
– Bank borrowings – unsecured	**1,719,500**	1,584,000
– Corporate bond *(b)*	**798,605**	797,531
Less: current portion of non-current borrowings	**(8,500)**	(808,000)
	2,509,605	1,573,531
Current:		
– Bank borrowings – unsecured	**4,823,754**	3,137,672
– Bank borrowings – guaranteed *(a)*	**555,407**	1,117,365
– Commercial papers *(b)*	**–**	608,605
Add: current portion of non-current borrowings	**8,500**	808,000
	5,387,661	5,671,642
Total borrowings	**7,897,266**	7,245,173

(a) As at 31 December 2017, the Group subsidiaries' bank borrowings of RMB555,407,000 (2016: RMB1,117,365,000) were guaranteed by the Company.

(b) Corporate Bonds and commercial papers

During the year ended 31 December 2016, the Group has issued the commercial papers to Financial Market Institutional Investors of the PRC. As at 31 December 2017, the commercial papers have been fully repaid. On 22 July 2016, the Group issued a corporate bond in Shanghai Stock Exchange. Details of the terms of corporate bonds and commercial papers are analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount *(RMB'000)*
Corporate Bonds				
Note-16 Fuyao 01	2016-7-22	3 years	3.00%	800,000
Commercial papers				
Note-16 Fuyao Glass SCP001	2016-3-10	270 days	2.80%	300,000
Note-16 Fuyao Glass SCP002	2016-4-12	180 days	3.00%	300,000
Note-16 Fuyao Glass SCP003	2016-5-16	270 days	3.09%	300,000
Note-16 Fuyao Glass SCP004	2016-8-17	270 days	2.69%	300,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

19 Borrowings (Continued)

(c) Corporate bond and commercial papers are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost by using effective interest method. The carrying amounts of corporate bond, medium term notes and commercial papers as at 31 December 2017 and 31 December 2016 are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Corporate Bond		
Note-16 Fuyao 01	**798,605**	797,531
Commercial papers		
Note-16 Fuyao Glass SCP003	**–**	305,746
Note-16 Fuyao Glass SCP004	**–**	302,859
	798,605	1,406,136

(d) The borrowings are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Borrowings:		
– RMB	**6,904,605**	6,156,921
– EUR	**50,715**	58,454
– USD	**941,946**	1,029,798
	7,897,266	7,245,173

(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	
	2017	2016
	RMB'000	*RMB'000*
6 months or less	**6,558,661**	6,418,086
Between 6 and 12 months	**1,338,605**	827,087
	7,897,266	7,245,173

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

19 Borrowings (Continued)

(f) The maturity of borrowings is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**5,387,661**	5,671,642
Between 1 and 2 years	**2,322,605**	726,000
Between 2 and 5 years	**187,000**	847,531
	7,897,266	7,245,173

(g) The weighted average effective interest rates per annum for the year ended 31 December 2017 were as follows:

	As at 31 December	
	2017	2016
Borrowings:		
– RMB	**3.28%**	2.90%
– USD	**2.06%**	1.67%
– EUR	**0.47%**	0.52%
– RBL	**–**	12.63%

Interest rates of bank borrowings are reseted 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	
	2017	2016
	RMB'000	*RMB'000*
Carrying amount	**2,509,605**	1,573,531
Fair value	**2,441,112**	1,533,099

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 2017 and 31 December 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

20 Deferred Income on Government Grants

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current portion	**26,991**	19,905
Non-current portion	**434,604**	461,923
	461,595	481,828

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**481,828**	386,987
Government grants received during the year *(i)*	**127,650**	114,276
Disposals of a subsidiary	**(122,413)**	–
Credited to the consolidated income statements *(Note 23)*	**(23,895)**	(21,372)
Currency translation difference	**(1,575)**	1,937
At end of the year	**461,595**	481,828

(i) These mainly represented government grants received from certain municipal governments of the PRC as an incentive for the purchase of property, plant equipment and land use rights.

21 Trade and Other Payables

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables to third parties	**1,391,203**	1,280,324
Notes payable	**977,678**	613,982
Staff salaries and welfare payables	**439,505**	420,292
Payables for purchasing of property, plant and equipment	**402,656**	415,374
Accrued taxes other than income tax	**112,311**	123,283
Amount due to related parties *(Note 34(c))*	**38,283**	39,213
Advance from customers	**18,008**	21,436
Interest payables	**29,257**	15,286
Other payables and accruals	**631,127**	655,922
	4,040,028	3,585,112

(a) As at 31 December 2017 and 2016, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables, the advance from customers and accrued taxes other than income tax which are not financial liabilities, approximate to their carrying amounts due to short maturities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

21 Trade and Other Payables (Continued)

(b) The Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
– RMB	**3,448,696**	2,978,924
– USD	**455,061**	544,850
– EUR	**81,309**	27,781
– RBL	**45,801**	26,787
– Other	**9,161**	6,770
	4,040,028	3,585,112

(c) 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	
	2017	2016
	RMB'000	*RMB'000*
– Within 3 months	**1,946,279**	1,669,591
– 3 to 6 months	**392,335**	177,867
– 6 to 12 months	**19,324**	22,224
– Over 1 year	**10,943**	24,624
	2,368,881	1,894,306

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

22 Revenue and Cost of Sales

Revenue and cost of sales by product

	Year ended 31 December			
	2017		2016	
	Revenue	**Cost of sales**	Revenue	Cost of sales
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Automobile glasses	**17,868,123**	**11,429,556**	16,145,326	10,206,223
Float glasses	**2,899,054**	**1,878,728**	2,729,026	1,930,243
Others	**620,514**	**281,797**	404,319	169,484
	21,387,691	**13,590,081**	19,278,671	12,305,950
Less: Intra-group sales	**(2,672,082)**	**(2,672,082)**	(2,657,335)	(2,657,335)
	18,715,609	**10,917,999**	16,621,336	9,648,615

Revenue by geographical areas

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
The PRC	**11,972,483**	10,974,910
Other countries	**6,743,126**	5,646,426
	18,715,609	16,621,336

23 Other Income

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Government grants		
– relating to income *(a)*	**164,222**	68,170
– relating to assets *(Note 20)*	**23,895**	21,372
	188,117	89,542

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

24 Other Loss/(Gains) – Net

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Exchange loss/(gains) – net	**387,507**	(458,716)
Gain on disposals of subsidiaries	**(29,407)**	(42,069)
Gain on disposals of intangible assets	**–**	(1,628)
Changes in fair value of the derivative financial instruments	**19,118**	(2,777)
Loss on disposal of property, plant and equipment *(Note 31(a))*	**32,967**	18,944
Donation	**14,137**	682
Gain on disposals of land-use-right	**(6,749)**	–
Others	**(23,933)**	(8,221)
	393,640	(493,785)

25 Expenses By Nature

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Raw materials and consumables used	**5,924,822**	5,024,272
Changes in inventories of finished goods and work in progress	**(148,360)**	(150,484)
Employee benefit expenses *(Note 26)*	**3,392,760**	2,937,460
Utilities	**1,514,601**	1,578,649
Depreciation of property, plant and equipment *(Note 6)*	**1,347,759**	1,201,292
Transportation and storage expenses	**611,450**	561,082
Packing expenses	**331,389**	301,038
Taxes and levies	**211,083**	208,258
Repair and maintenance fee	**246,156**	215,325
Travel expenses	**84,044**	83,460
Inventory scrap loss	**71,951**	159,262
Operating lease expenses	**77,098**	66,024
Insurance expenses	**63,659**	56,944
Fire safety and environmental protection expenses	**64,053**	52,193
After-sale service costs	**54,088**	52,928
Amortisation of leasehold land and land use rights *(Note 7)*	**23,576**	24,033
Amortisation of intangible assets *(Note 8)*	**20,887**	18,808
Amortisation of long-term prepaid rental expenses *(Note 10)*	**6,697**	11,314
Write-down of inventories to the net realisable value *(Note 12)*	**5,124**	11,036
Auditor's remuneration- Audit services	**4,953**	4,953
Provision of impairment of trade and other receivables *(Note 13)*	**17**	188
Receipt of previously written-off trade receivables	**(30)**	–
Others	**891,383**	816,532
	14,799,160	13,234,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

26 Employee Benefit Expenses (Including Directors, Supervisors and Senior Management's Emoluments)

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**2,828,940**	2,491,167
Pension, housing fund, medical insurance and other social insurance	**500,429**	386,595
Others	**63,391**	59,698
	3,392,760	2,937,460

(a) Pensions – defined contribution plans

Contributions totalling RMB6,178,000 (2016: RMB5,573,000) 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 (2016: three) directors and supervisors whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining three (2016: two) individuals during the year are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**7,843**	5,903
Pension, housing fund, medical insurance and other social insurance	**335**	245
Others	**430**	424
	8,608	6,572

The emoluments fell within the following bands:

	Year ended 31 December	
	2017	2016
Emoluments bands		
HKD2,000,001 to HKD3,000,000	**2**	–
HKD3,000,001 to HKD4,000,000	**–**	1
HKD4,000,001 to HKD5,000,000	**1**	1
	3	2

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

27 Finance Costs – Net

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance income:		
Interest income	**(156,659)**	(106,576)
Finance cost:		
Interest on borrowings	**235,077**	201,369
Less: borrowing costs capitalised *(Note 6)*	**(53,976)**	(46,376)
Interest expense on borrowings	**181,101**	154,993
Amortisation of transaction costs in respect of issuance of corporate bond, medium note and commercial papers	**1,272**	2,720
	182,373	157,713
Finance costs – net	**25,714**	51,137

28 Income Tax Expense

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax	**623,289**	777,839
Deferred income tax *(Note 11)*	**(91,810)**	(930)
Income tax expense	**531,479**	776,909

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

28 Income Tax Expense (Continued)

(b) Hong Kong profits tax

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

(c) North American profits tax

Profit tax has been provided for at the rates of 37% 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 North American are between 37% and 40%, during the year ended 31 December 2017, no profit tax has been provided due to the unutilised tax losses (2016: Nil).

(d) Russian profits tax

Applicable profit tax rate of Russian is 20%. During the year ended 31 December 2017, no profit tax has been provided due to accumulated losses (2016: Nil).

(e) German profits tax

Applicable profit tax rate of Germany is 31%. During the year ended 31 December 2017, no profit tax has been provided due to accumulated losses (2016: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	
	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**3,679,195**	3,918,847
Tax calculated at the applicable income tax rate	**936,297**	1,025,661
Tax effect of:		
Preferential income tax rate	**(482,045)**	(458,688)
Expenses not deductible for tax purpose	**1,440**	1,043
Income not subject to income tax	**(1,002)**	(272)
Unrecognised tax losses carried forward	**113,442**	240,915
Utilisation of previously unrecognised tax losses	**(16,262)**	(402)
Withholding taxation on unremitted earnings of certain subsidiaries	**4,402**	3,583
Others	**(24,793)**	(34,931)
Income tax expense	**531,479**	776,909

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

29 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	
	2017	2016
Net profit attributable to the equity holders of the Company *(RMB'000)*	**3,148,221**	3,143,449
Weighted average number of ordinary shares in issue *(thousand)*	**2,508,618**	2,508,618
Basic earnings per share *(RMB)*	**1.25**	1.25

(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.

30 Dividends

The dividends paid in 2017 and 2016 were RMB1,881,463,000 (RMB0.75 per share) and RMB1,881,463,000 (RMB0.75 per share) respectively. On 16 March 2018, the board of directors of the Company proposed to distribute a dividend of RMB1,881,463,000 at a retained earnings of RMB0.75 per share as at 31 December 2017. This dividend payable does not recognized in the financial statement as a liability. The resolution still need to be approved by the shareholders' meeting.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.75 (2016: RMB0.75) per ordinary share	**1,881,463**	1,881,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

31 Cash Generated From Operations

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit for the year before income tax	**3,679,195**	3,918,847
Adjustments for:		
Depreciation of property, plant and equipment *(Note 6)*	**1,347,759**	1,201,292
Amortisation of leasehold land and land use rights *(Note 7)*	**23,576**	24,033
Amortisation of intangible assets *(Note 8)*	**20,887**	18,808
Losses on disposals of property, plant and equipment *(Note 24)*	**(32,967)**	18,944
Gains on disposals of intangible assets *(Note 24)*	**–**	(1,628)
Gain on disposals of land-use-right *(Note 24)*	**6,749**	–
Gains on disposals of subsidiaries *(Note 24)*	**(29,407)**	(42,069)
Amortisation of deferred income on government grants *(Note 20 and 23)*	**(23,895)**	(21,372)
Amortisation of long-term prepaid rental expense *(Note 10)*	**6,697**	11,314
Interest income *(Note 27)*	**(156,659)**	(106,576)
Interest expenses *(Note 27)*	**182,373**	157,713
Exchange loss/(gain) on cash and cash equivalents	**321,331**	(404,369)
Share of results of a joint venture and an associate *(Note 9)*	**6,017**	112
Provision of provision for impairment of receivables *(Note 13)*	**17**	188
Receipt of previously written-off trade receivables	**(30)**	–
Provision for impairment of inventories *(Note 12)*	**5,124**	11,036
Change in fair value of derivatives *(Note 24)*	**19,118**	(2,777)
	5,375,885	4,783,496
Changes in working capital:		
Increase in inventories	**(187,603)**	(290,003)
Increase in trade and other receivables	**(246,100)**	(992,569)
Increase in trade and other payables	**569,387**	644,442
Cash generated from operations	**5,511,569**	4,145,366

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

31 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	
	2017	2016
	RMB'000	*RMB'000*
Net book amount *(Note 6 and 7)*	**109,722**	72,371
Loss on disposal *(Note 24)*	**(26,218)**	(17,316)
Proceeds from disposal	**83,504**	55,055

(c) In the consolidated cash flow statements, proceed from disposal of subsidiaries comprise:

	Fuzhou Fuyao Float Glass Co., Ltd.	**Baoding Fuyao Glass Co.,Ltd.**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Total consideration of disposal of subsidiaries	135,710	25,000	160,710
Less: consideration received from prior year	–	(12,500)	(12,500)
Consideration received in current year	135,710	12,500	148,210
Less: Cash and cash equivalents of the subsidiaries	(59)	–	(59)
Net cash inflow from the disposal	135,651	12,500	148,151

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

31 Cash Generated From Operations (Continued)

(d) Net debt reconciliation

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**6,704,296**	7,198,834
Borrowings – repayable within one year	**(5,387,661)**	(5,671,642)
Borrowings – repayable after one year	**(2,509,605)**	(1,573,531)
Net debt	**(1,192,970)**	(46,339)
Cash and cash equivalents	**6,704,296**	7,198,834
Gross debt – fixed interest rates	**(4,761,766)**	(5,655,173)
Gross debt – variable interest rates	**(3,135,500)**	(1,590,000)
Net debt	**(1,192,970)**	(46,339)

	Cash and cash equivalents	Borrow due within one year	Borrow due after one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2017	7,198,834	(5,671,642)	(1,573,531)	(46,339)
Cash flows	(173,207)	275,377	(935,000)	(832,830)
Foreign exchange adjustments	(321,331)	8,604	(1,074)	(313,801)
Net debt as at 31 December 2017	6,704,296	(5,387,661)	(2,509,605)	(1,192,970)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

32 Contingencies

As at 31 December 2017, the Group did not have any significant contingent liabilities.

33 Commitments

(a) Capital commitments

As at 31 December 2017,capital expenditure contracted for, but not yet incurred is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Authorised and contracted for:		
– Property, plant and equipment	**1,647,159**	1,313,311
Authorised but not contracted for:		
– Property, plant and equipment	**2,308,390**	1,268,087

(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	
	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**44,571**	21,217
Later than 1 year and no later than 5 year	**96,307**	21,217
Later than 5 year	**193,214**	–
	334,092	42,434

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

34 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 2017 and 2016, and balances arising from related party transactions as at 31 December 2017 and 2016.

(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
Home Bridge Overseas Ltd. (鴻僑海外有限公司)	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
Ningbo Hongxie Clutch Automobile Parts Co., Ltd. (寧波宏協承汽車部件有限公司)	Former jointly venture of the Group, till July 2016
Fujian Hongxie Clutch Automobile Parts Co., Ltd. (福建宏協承汽車部件有限公司)	Former jointly venture of the Group, till July 2016
Chongqing Hongxie Clutch Automobile Parts Co., Ltd. (重慶宏協承汽車部件有限公司)	Subsidiary of a former jointly venture of the Group, till July 2016
Hubei Jierui Automotive Glass Co., Ltd. (湖北捷瑞汽車玻璃有限公司)	Controlled by the senior management of the Group
Hunan Jierui Automotive Glass Co., Ltd. (湖南捷瑞汽車玻璃有限公司)	Controlled by the senior management of the Group
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	Associate of the Group
Fujian Triplex Automotive Trim System Co., Ltd. (福建三鋒汽車飾件有限公司)	Controlled by the director of the Group
Fuzhou Fuyao Mold Technology Co., Ltd. (福州福耀模具科技有限公司)	Controlled by the director of the Group
Fujian Triplex Automobile Service Co., Ltd. (福建三鋒汽車服務有限公司)	Controlled by the director of the Group
Fujian Triplex Machinery Technology Co., Ltd. (福建三鋒機械科技有限公司)	Controlled by the director of the Group
Global Cosmos German Co., Ltd. (環創德國有限公司)	Controlled by the single largest shareholder

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

34 Related Party Transactions (Continued)

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

Continuing transactions

(i) Sales of goods

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Fujian Triplex Automobile Service Co., Ltd.*	**414,381**	291,865
Fujian Triplex Automotive Trim System Co., Ltd.*	**16,003**	7,848
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**3,136**	3,010
Fuzhou Fuyao Mold Technology Co., Ltd.*	**234**	224
Jinken Glass Industry Shuangliao Co., Ltd.	**32**	–
Hubei Jierui Automotive Glass Co., Ltd.*	**–**	4,161
Fujian Hongxie Clutch Automobile Parts Co., Ltd.	**–**	2,037
Hunan Jierui Automotive Glass Co., Ltd.*	**–**	1,075
Fujian Triplex Machinery Technology Co., Ltd.*	**–**	145
	433,786	310,365

(ii) Purchase of goods

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Fuzhou Fuyao Mold Technology Co., Ltd.*	**153,692**	105,119
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**87,882**	94,629
Fujian Triplex Automotive Trim System Co., Ltd.*	**77,032**	27,304
Jinken Glass Industry Shuangliao Co., Ltd.	**2,467**	1,491
Ningbo Hongxie Clutch Automobile Parts Co., Ltd.	**–**	58,904
Fujian Hongxie Clutch Automobile Parts Co., Ltd.	**–**	42,750
Chongqing Hongxie Clutch Automobile Parts Co., Ltd.	**–**	14,578
Fujian Triplex Machinery Technology Co., Ltd.*	**–**	108,940
	321,073	453,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

34 Related Party Transactions (Continued)

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

Continuing transactions (Continued)

(iii) Sales of assets

	Year ended 31 December	
	2017 **RMB'000**	2016 *RMB'000*
Fujian Triplex Automotive Trim System Co., Ltd.*	**29,610**	–

(iv) Rental income

	Year ended 31 December	
	2017 **RMB'000**	2016 *RMB'000*
Fujian Triplex Automotive Trim System Co., Ltd.*	**767**	1,423
Tri-Wall Packaging (Fuzhou) Co.,Ltd.	**60**	60
Fujian Triplex Machinery Technology Co., Ltd.*	**–**	1,634
	827	3,117

(v) Rental expenses

	Year ended 31 December	
	2017 **RMB'000**	2016 *RMB'000*
Fujian Yaohua Industrial Village Development Co., Ltd.*	**21,184**	20,926

(vi) Loan to an associate

	Year ended 31 December	
	2017 **RMB'000**	2016 *RMB'000*
Jinken Glass Industry Shuangliao Co., Ltd.	**190,000**	–

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary course of business of the Group and in accordance with the term of the underlying agreements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

34 Related Party Transactions (Continued)

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

Continuing transactions (Continued)

(vii) Key management compensation

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**24,943**	26,719
Pension, housing fund, medical insurance and other social insurance	**888**	642
Others	**702**	691
	26,533	28,052

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	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables *(i)*	**54,629**	99,581
Other receivables *(ii)*	**197,970**	3,154
Prepayments *(iii)*	**1,707**	5,425
	254,306	108,160

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
(i) Trade receivables:		
Fujian Triplex Automobile Service Co., Ltd.	**53,732**	99,581
Fujian Triplex Automotive Trim System Co.,Ltd.	**897**	–
	54,629	99,581

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

34 Related Party Transactions (Continued)

(c) Balances with related parties: (continued)

Amount due from related parties (continued)

Aging analysis of trade receivables due from related parties are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**54,629**	99,581

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
(ii) Other receivables:		
Fujian Triplex Automotive Trim System Co., Ltd.	**5,524**	1,929
Jinken Glass Industry Shuangliao Co., Ltd.	**192,049**	–
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**343**	290
Fuzhou Fuyao Mold Technology Co., Ltd.	**54**	23
Fujian Triplex Machinery Technology Co., Ltd.	**–**	912
	197,970	3,154

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
(iii) Prepayment:		
Fuzhou Fuyao Mold Technology Co., Ltd.	**1,370**	–
Jinken Glass Industry Shuangliao Co., Ltd.	**330**	–
Fujian Triplex Automotive Trim System Co., Ltd.	**7**	–
Fujian Triplex Machinery Technology Co., Ltd.	**–**	5,420
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**–**	5
	1,707	5,425

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

34 Related Party Transactions (Continued)

(c) Balances with related parties (continued)

Amount due to related parties

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables *(iv)*	**32,216**	19,896
Other payables *(v)*	**6,067**	19,317
	38,283	39,213

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
(iv) Trade payables:		
Fujian Triplex Automotive Trim System Co., Ltd.	**19,415**	8,324
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**9,011**	1,165
Fuzhou Fuyao Mold Technology Co., Ltd.	**1,928**	48
Jinken Glass Industry Shuangliao Co., Ltd.	**1,862**	401
Fujian Triplex Machinery Technology Co., Ltd.	**–**	9,958
	32,216	19,896

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

34 Related Party Transactions (Continued)

(c) Balances with related parties (continued)

Amount due to related parties (continued)

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**29,897**	19,406
3 to 6 months	**1,538**	436
6 to 12 months	**781**	54
	32,216	19,896

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
(v) Other payables to related parties:		
Fuzhou Fuyao Mold Technology Co., Ltd.	**5,155**	8,675
Fujian Triplex Automotive Trim System Co., Ltd.	**912**	330
Jinken Glass Industry Shuangliao Co., Ltd.	**–**	8,304
Fujian Triplex Machinery Technology Co., Ltd.	**–**	1,999
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**–**	9
	6,067	19,317

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

35 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2017 are set out below:

Company name	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) Co., Ltd. (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	Sales of automobile glass
Fuyao Group Korea Co.,Ltd. (福耀集團韓國株式會社)	Korea, September 2007	KRW500,000	100%	Direct	Sales of automobile glass
Fuyao Japan Co.,Ltd. (福耀日本株式會社)	Japan, July 2008	JPY10,000	100%	Direct	Sales of automobile glass
Fuyao Europe GmbH (福耀歐洲玻璃工業有限公司)	Germany, June 2007	EUR525	100%	Indirect	Distribution service of automobile glass
Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd. (福耀集團(福建)機械製造有限公司)	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)	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)	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)	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)	PRC, April 2002	USD68,049	100%	Direct	Production and sales of automobile glass
Shanghai Fuyao Bus Glass Co., Ltd.(上海福耀客車玻璃有限公司)	PRC, March 2007	RMB200,000	100%	Indirect	Production of special glass and high class bus glass
Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司)	PRC, November 2007	USD30,000	100%	Direct	Production and sales of automobile glass

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

35 Subsidiaries (Continued)

Company name	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 Group Tongliao Co., Ltd.(福耀集團通遼有限公司)	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)	PRC, October 1996	USD40,000	100%	Indirect	Production and sales of Engineering 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)	PRC, April 2003	USD55,200	100%	Direct	Production and sales of automobile glass
Fuyao Glass Chongqing Co., Ltd.(福耀玻璃(重慶)有限公司)	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)	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)	PRC, June 2006	USD75,000	100%	Indirect	Production of special glass and inorganic non-metallic material
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (海南文昌福耀硅砂有限公司)	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)	PRC, November 2005	USD700	100%	Indirect	Sales of automobile glass
Fuyao (Changchun) Bus Glass Co.,Ltd.(福耀(長春)巴士玻璃有限公司)	PRC, January 2004	USD4,850	100%	Indirect	Production of special glass and high class bus glass
Chongqing Wansheng Float Glass Co., Ltd.(重慶萬盛浮法玻璃有限公司)	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)	PRC, April 2011	RMB300,000	100%	Direct	Production and sales of automobile glass
Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司)	PRC, March 2012	RMB10,000	100%	Indirect	Sales of automobile glass
Xupu Fuyao Silica Sand Co., Ltd.(漵浦福耀矽砂有限公司)	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)	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, November 2011	USD110,656	100%	Direct	Production and sales of automobile glass

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

35 Subsidiaries (Continued)

Company name	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 Suzhou Automobile Glass Co., Ltd. (福耀玻璃(蘇州)汽車玻璃有限公司) *(a)*	PRC, March 2017	RMB400,000	100%	Direct	Production and sales of automobile glass
Fuyao Group International Co.,Ltd.(福耀國際控股有限公司) *(b)*	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)	PRC, December 2012	RMB25,000	100%	Indirect	Production and sales of automobile glass
Yantai Fuyao Glass Co., Ltd. (煙臺福耀玻璃有限公司)	PRC, June 2013	RMB60,000	100%	Indirect	Sales of automobile glass
Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司)	PRC, July 2013	RMB30,000	100%	Indirect	Sales of automobile glass
Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司)	PRC, September 2013	RMB20,000	100%	Indirect	Storage and assembly of automobile glass
Benxi Fuyao Silica Sand Co., Ltd.(本溪福耀矽砂有限公司)	PRC, May 2014	RMB60,000	100%	Indirect	Exploitation and sales of mineral
Fuyao Glass America Inc. (福耀玻璃美國有限公司)	U.S.A., March 2014	USD330,000	100%	Direct	Production and sales of automobile glass
Fuyao Asset Management A, LLC (福耀資產A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 (福耀資產C公司)	U.S.A., August 2014	USD0.8	100%	Indirect	Property lease
Tianjin Hongde Auto Glass Co., Ltd.(天津泓德汽車玻璃有限公司)	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)	PRC, December, 2016	RMB500,000	100%	Direct	Production and sales of float glass

Notes:

(a) On 23 March, 2017, the Company established Fuyao Glass Suzhou Automobile Glass Co., Ltd. with registered capital of RMB400,000,000. As of 31 December, 2017, the registered capital of Fuyao Glass Suzhou Automobile Glass Co., Ltd. is still not fully paid yet.

(b) On 19 September, 2017, the Company established Fuyao Group International Co., Ltd. with registered capital of RMB50,000,000. As of 31 December, 2017, the registered capital of Fuyao Group International Co., Ltd. is still not paid yet.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

36 Balance Sheet and Reserve Movement of the Company

Balance Sheet of the Company

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**843,835**	674,998
Leasehold land and land use rights		**34,636**	39,476
Intangible assets		**66,325**	66,795
Investments in subsidiaries		**6,484,008**	5,514,924
Investments in a joint venture		**26,189**	26,189
Long-term receivables		**3,667,553**	155,389
Deferred income tax assets		**94,464**	5,893
		11,217,010	6,483,664
Current assets			
Inventories		**355,656**	426,578
Trade and other receivables		**10,300,625**	11,277,046
Financial assets at fair value through profit or loss		**105,489**	–
Cash and cash equivalents		**6,353,867**	6,587,731
		17,115,637	18,291,355
Total assets		**28,332,647**	24,775,019

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

36 Balance Sheet and Reserve Movement of the Company (Continued)

Balance Sheet of the Company (continued)

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
EQUITY			
Share capital		**2,508,618**	2,508,618
Share premium		**6,202,553**	6,202,553
Other reserves	(Note(a))	**1,912,915**	1,634,320
Retained earnings	(Note(a))	**4,024,123**	3,401,546
Total equity		**14,648,209**	13,747,037
LIABILITIES			
Non-current liabilities			
Borrowings		**2,469,605**	1,573,531
Deferred income tax liabilities		**33,301**	35,782
Deferred income on government grants		**25,910**	25,649
		2,528,816	1,634,962
Current liabilities			
Trade and other payables		**7,318,970**	7,403,739
Current income tax liabilities		**–**	144,464
Borrowings		**3,812,254**	1,843,277
Derivative financial instruments		**22,858**	–
Current portion of deferred income on government grants		**1,540**	1,540
		11,155,622	9,393,020
Total liabilities		**13,684,438**	11,027,982
Total equity and liabilities		**28,332,647**	24,775,019

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

36 Balance Sheet and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

	Retained earnings *RMB'000*	Other reserves *RMB'000*
At 1 January 2016	2,655,459	1,343,079
Profit for the year	2,918,791	–
Appropriation to statutory reserve	(291,241)	291,241
Dividends paid relating to 2015	(1,881,463)	–
At 31 December 2016	3,401,546	1,634,320
At 1 January 2017	**3,401,546**	**1,634,320**
Profit for the year	**2,782,635**	**–**
Appropriation to statutory reserve	**(278,595)**	**278,595**
Dividends paid relating to 2016	**(1,881,463)**	**–**
At 31 December 2017	**4,024,123**	**1,912,915**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

37 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 2017 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	–	2,944	–	271	3,215
Mr. Chen Xiangming	–	1,869	66	–	1,935
Ms. Sun YiQun*(ii)*	–	2,326	144	–	2,470
Non-executive directors					
Mr. Tso Fai	–	1,205	50	–	1,255
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Cheng Yan	150	–	–	–	150
Ms. Liu Xiaozhi	150	–	–	–	150
Mr. Wu Yuhui	150	–	–	–	150
Supervisors					
Mr. Bai Zhaohua	150	–	12	–	162
Mr. Chen MingSen	150	–	–	–	150
Mr. Ni ShiYou	150	–	–	–	150
	1,080	8,344	272	271	9,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

37 Benefits and Interests of Directors and Supervisors (Continued)

Directors and supervisors' emoluments (Continued)

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2016 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	–	2,843	–	268	3,111
Mr. Chen Xiangming	–	1,869	60	–	1,929
Mr. Chen Jicheng *(i)*	–	4,930	38	–	4,968
Non-executive directors					
Mr. Tso Fai	–	3,253	46	–	3,299
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Cheng Yan	150	–	–	–	150
Ms. Liu Xiaozhi	150	–	–	–	150
Mr. Wu Yuhui	150	–	–	–	150
Supervisors					
Mr. Bai Zhaohua	–	703	13	–	716
Mr. Chen Mingsen	150	–	–	–	150
Mr. Ni Shiyou	150	–	–	–	150
	930	13,598	157	268	14,953

Notes:

(i) Mr. Chen Jicheng resigned from executive director on 26 April 2016.

(ii) Ms. Sun YiQun joined as executive directors on 26 April 2017.

Section XIII Business Performance Highlights for the Previous Five Years

CONSOLIDATED INCOME STATEMENT

Unit: '000 Currency: RMB

Item	Year ended 31 December 2017	2016	2015	2014	2013
Revenue	**18,715,609**	16,621,336	13,573,495	12,928,182	11,501,210
Cost of sales	**10,917,999**	9,648,615	7,938,515	7,565,501	6,830,550
Gross profit	**7,797,610**	6,972,721	5,634,980	5,362,681	4,670,660
Distribution costs and selling expenses	**1,274,309**	1,184,740	1,020,585	982,165	876,776
Administrative expenses	**1,803,411**	1,673,626	1,287,869	1,031,342	907,576
Research and development expenses	**803,441**	727,586	592,889	517,924	388,758
Other income	**188,117**	89,542	97,836	46,017	54,297
Other (loss)/gains– net	**-393,640**	493,785	375,797	-43,091	177
Operating profit	**3,710,926**	3,970,096	3,207,270	2,834,176	2,552,024
Finance income	**156,659**	106,576	19,725	14,362	3,116
Finance costs	**182,373**	157,713	190,512	241,223	202,297
Finance costs – net	**25,714**	51,137	170,787	226,861	199,181
Share of results of joint venture and associate	**-6,017**	-112	5,559	31,029	25,748
Profit before income tax	**3,679,195**	3,918,847	3,042,042	2,638,344	2,378,591
Income tax expense	**531,479**	776,909	435,226	421,567	461,924
Profit for the year	**3,147,716**	3,141,938	2,606,816	2,216,777	1,916,667
Profit attributable to:					
Equity holders of the Company	**3,148,221**	3,143,449	2,604,697	2,219,245	1,917,099
Non-controlling interests	**-505**	-1,511	2,119	-2,468	-432
Profit for the year	**3,147,716**	3,141,938	2,606,816	2,216,777	1,916,667
Basic earnings per share	**1.25**	1.25	1.1	1.11	0.96
Diluted earnings per share	**1.25**	1.25	1.1	1.11	0.96

CONSOLIDATED BALANCE SHEET

Unit: '000 Currency: RMB

Item	As at 31 December 2017	2016	2015	2014	2013
Total assets	**31,717,365**	29,879,729	24,841,632	16,890,937	14,683,141
Total liabilities	**12,698,751**	11,827,301	8,411,905	8,072,971	6,821,546
Total equity	**19,018,614**	18,052,428	16,429,727	8,817,966	7,861,595