



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

INTERIM REPORT



Important Notice

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

II. Director absent

Position of absent director	Name of absent director	Reason for absence	Name of proxy
Independent non-executive director	Liu Xiaozhi	On a business trip	Wu Yuhui
Independent non-executive director	Cheng Yan	On a business trip	Wu Yuhui

III. This interim report has not been audited.

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 interim report.

V. Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during the Reporting Period

The Company did not formulate the interim profit distribution plan or plan to convert surplus reserves into share capital during the Reporting Period.

VI. Risks disclaimer of the forward-looking statements

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

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

No

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

No

IX. Material risk alert

The Company has described details of the possible risks and its countermeasures in this report. Investors are advised to refer to the section of "Section IV Management Discussion and Analysis" in this report for descriptions in respect of the risks we exposed.

X. Others

Not applicable

Contents

Section I	Definitions	2
Section II	Corporate Profile and Principal Financial Indicators	3
Section III	Summary of the Business of the Company	9
Section IV	Management Discussion and Analysis	11
Section V	Significant Events	30
Section VI	Changes in Ordinary Shares and Information of Shareholders	44
Section VII	Directors, Supervisors and Senior Management	50
Section VIII	Relevant Information of Corporate Bonds	53
Section IX	Financial Report	60



Section I Definitions

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

DEFINITIONS OF COMMON TERMS

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors, Board	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
tempered glass	automotive safety glass made by heating automotive grade float glass to certain temperature, then promptly cooling it down evenly after being shaped
float glass	the glass produced by applying float technology
Reporting Period	the six months ended June 30, 2017

Section II Corporate Profile and Principal Financial Indicators

I. COMPANY INFORMATION

Name of the Company in Chinese	福耀玻璃工業集團股份有限公司
Chinese abbreviation	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

Name	Li Xiaoxi
Contact Address	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Telephone	86-591-8538 3777
Fax	86-591-8536 3983
E-mail	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 II Corporate Profile and Principal Financial Indicators

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

V. INFORMATION ON THE COMPANY'S SHARES

Class of shares	Stock Exchange where 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

Not applicable

Section II Corporate Profile and Principal Financial Indicators

VII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (Continued)

(II) Principal financial indicators

Principal financial indicators	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)	Increase/decrease for the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	0.55	0.58	-5.17
Diluted earnings per share (RMB/share)	0.55	0.58	-5.17
Return on equity (%)	7.94	9.05	Decreased by 1.11 percentage points

VIII. DISCREPANCIES IN FINANCIAL 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 Accounting 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 (Unaudited)	Amount for the corresponding period of previous year (Unaudited)	Amount at the end of the Reporting Period (Unaudited)	Amount at the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	1,386,187	1,456,810	17,437,631	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	-156	-334	13,726	13,882
Prepared in accordance with the International Financial Reporting Standards	1,386,031	1,456,476	17,451,357	18,047,500

Section II Corporate Profile and Principal Financial Indicators

VIII. DISCREPANCIES IN FINANCIAL DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS *(Continued)*

- (II) Discrepancies between net profit and net assets attributable to shareholders of the Listed Company in the financial report disclosed under the overseas accounting principles and under the China Accounting Standards for Business Enterprises

Not applicable

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

The Company not only prepares financial statements for H shares in accordance with the International Financial Reporting Standards (“IFRSs”) but also, as an A-share company listed on SSE, prepares financial statements in accordance with the China Accounting Standards for Business Enterprises (“CASBE”). The discrepancies between the financial statements prepared in accordance with IFRSs and those prepared in accordance with CASBE are as follows: 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 use rights 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 confirmation of the loss on asset impairment, it shall not be reversed during the following accounting period. Under the IFRSs, various estimations for the confirmation of recoverable amount of assets applied by the Group have varied since the latest confirmation of loss on impairment, and the loss on asset impairment, excluding goodwill, confirmed 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 fixed assets and land use rights within useful lives, thus resulting in the adjustment matters above.

Section II Corporate Profile and Principal Financial Indicators

IX. 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
Profit or loss from disposal of non-current assets	-8,528,062
Government grants included in profit or loss for the current period, other than those closely related to the normal operation of the Company and subject to a fixed amount or quantity under certain standard required by national policies	60,889,486
Profit or loss on 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 the normal business operations of the Company	-27,053,020
Other non-recurring income and expenses other than the above items	14,274,148
Impact on non-controlling interests	-368
Effects of income tax	-1,332,102
Total	<u>38,250,082</u>

Section III Summary of the Business of the Company

I. DETAILS OF THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY SITUATION 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.

(II) Industry overview

The automobile production volume in China increased from 18,264,700 units in 2010 to 28,118,800 units in 2016 with a compound annual growth rate of 7.46%. It has ranked first in the world for eight consecutive years. From January to June in 2017, the automobile production volume is 13,525,800 units and 13,353,900 units, representing a year-on-year growth of 4.64% and 3.81% respectively.

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 had reached approximately 13 units, approximately 18 units and over 80 units for every one hundred people in China, in the world and the US, respectively. 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 light weight, energy conservation, environmental protection, intelligence and integration with constantly increasing additional 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.

Section III Summary of the Business of the Company

I. DETAILS OF THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

(II) Industry overview *(Continued)*

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 120.99 (Unit: 100 million Currency: RMB), accounting for 39.42% of the total assets.

III. ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

1. Fuyao, a company with strong sense of social responsibility and mission, has gained trust from global automobile manufacturers, users, suppliers and investors by fulfilling its supporting role in the world's automobile industry and contributing transparent and exquisite glass to the world. Brand is the core competitiveness of Fuyao.
2. Fuyao has trained a team with devotion, passion, unity and ambition which has competitive advantages in operation, management, technology, quality, technique, design and IT in the glass industry.
3. The standardized, transparent and international financial system and the ERP-based process optimization system of Fuyao lay a solid foundation for the digitalization and intelligentization of "Industry 4.0".
4. Fuyao has built a relatively comprehensive industrial ecology, such as sand mineral resources, quality float technology, research and development of process and equipment, 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 IV 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, as well as 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 RMB8,713,963,000, representing an increase of 14.89% as compared with the corresponding period last year; realized profit before tax of RMB1,686,213,000, representing a decrease of 5.21% as compared with the corresponding period last year, which was mainly due to an exchange loss of RMB171,155,000 (the exchange gains were RMB203,920,000 from January to June 2016) resulting from the RMB appreciation; without taking this factor into account, the profit before tax for the Reporting Period represented a year-on-year increase of 17.93%; and realized net profit attributable to equity holders of the Company of RMB1,386,031,000, representing a decrease of 4.84% as compared with the corresponding period last year; earnings per share of RMB0.55, representing a decrease of 5.17% 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 by 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 11.81% 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 4.64% from January to June 2017); its overseas revenue from automotive glass had an increase of 17.78% 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 sales costs, 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) was 81.08%, representing a year-on-year decrease of 0.40 percentage point if the effect of foreign exchange gains or losses is deducted.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

- (4) During the Reporting Period, the Company enlarged its investment in research and development, promoted the integrated mechanism with “production, education, research and application”, provided integrated automotive glass solutions for worldwide automobile manufacturers, researched and developed products of five categories (light-weight, energy-saving, environment-friendly, smart and integrated) and 12 themes, and increased the sales proportion of high value-added products.
- (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). At present, CRM system (Customer Relationship Management System), PLM system (Product Lifecycle Management System) and MES system (Manufacturing Execution System) are developed in an orderly manner, in order to realize the digitalized and transparent enterprise management.
- (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, in order to provide support for the global strategic layouts of the Company. It also shared data with external suppliers and realized connections in terms of key business.
- (7) The Company deepened the management reform, transformed the management mode from “Locomotive Mode (火車頭模式)” to “Train Mode (動車模式)”, gave full play to the initiative and management function of every team and each individual, and implemented specific reform measures in terms of quality, market orientation, informatization, assessment, innovation, etc.
- (8) During the Reporting Period, the Company strengthened the cultivation of lean internal trainers, lean yellow belt, green and black belt, and red belt talents in the form of quality engineering technology course, master control course, etc. in the whole Group based on the Management Institute and with the theme on the development strategy of the Group, as a result of which the employee cultivation system covering various talents at different levels was established to ensure that employees’ growth and development laid a solid foundation for the transformation and upgrading of the Group.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(I) Analysis on principal business

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

Unit: '000 Currency: RMB

Items	For the Reporting Period (Unaudited)	For the same period last year (Unaudited)	Percentage Change (%)
Revenue	8,713,963	7,584,425	14.89
Cost of sales	5,066,724	4,380,303	15.67
Distribution costs and selling expenses	611,652	561,681	8.90
Administrative expenses	842,216	705,949	19.30
Finance costs – net	-15,661	46,681	-133.55
Net cash generated from operating activities	1,649,377	1,455,428	13.33
Net cash used in investing activities	-1,673,881	-1,706,247	-1.90
Net cash generated from financing activities	48,898	1,604,731	-96.95
Research and development expenses	389,069	335,746	15.88

Reason for change in revenue: the change was mainly due to more efforts being put in marketing, which made the growth in revenue greater than that of the growth in the industry, as well as product upgrade and structural optimization which resulted in further increase in revenue.

Reason for change in costs of sales: the change was mainly due to an increase in corresponding costs resulting from the increase in revenue.

Reason for change in distribution costs and selling expenses: the change was mainly due to an increase in distribution costs and selling expenses caused by the increase in revenue.

Reason for change in administrative expenses: the change was mainly due to a year-on-year increase in staff salaries and repair expenses by RMB118 million and RMB18 million respectively.

Reason for change in finance costs – net: the change was mainly due to a year-on-year increase in interest income.

Reason for change in net cash generated from operating activities: the change was mainly due to an increase in revenue and speeding up of the collection of accounts receivable from sales.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

(I) Analysis on principal business *(Continued)*

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

Reason for change in net cash generated from investing activities: the change was mainly due to the continuous investment in the projects of Fuyao Glass America Inc. and Tianjin Hongde Auto Glass Co., Ltd as planned, and the expenses resulting from the upgrading and improvement of other companies.

Reason for change in net cash generated from financing activities: the change was mainly due to an increase in net cash generated from operating activities, and the repayment for ultra short-term financing bonds of RMB600 million during the Reporting Period.

Reason for change in research and development expenses: increase in investment of research and development projects, and continuous promotion of research and development innovation could strengthen the core competitiveness of the Company, facilitate its technology upgrade and increase the added value of its products.

2. Others

(1) Details of material changes in profit composition or the source of profit of the Company

During the Reporting Period, there were no material changes in profit composition or the source of profit of the Company.

(2) Others

Not applicable

(II) Details of material changes in profit attributable to non-principal business

Not applicable

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(III) Analysis on assets and liabilities

1. Assets and Liabilities

Unit: '000 Currency: RMB

Items	Closing balance (Unaudited)	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	0	0.00	1,951	0.01	-100.00	No balance was resulted at the end of the Reporting Period, due to the revaluation of the unsettled forward foreign exchange contracts of a subsidiary as financial liabilities
Restricted cash	323,138	1.05	12,345	0.04	2,517.56	Mainly due to the deposit of principals of the principal guaranteed floating return bank wealth management products with a maturity of 6 months during the Reporting Period
Non-controlling interests	3,413	0.01	4,928	0.02	-30.74	Mainly due to the change in the profit or loss of Xupu Fuyao Silica Sand Co., Ltd., a non-wholly owned subsidiary of the Company
Current income tax liabilities	203,309	0.66	434,780	1.46	-53.24	Mainly due to the settlement and payment of the income tax payable last year during the Reporting Period
Borrowings – current liabilities	7,610,956	24.80	5,671,642	18.98	34.19	Mainly due to the change in borrowing structure and an increase in working capital requirements
Derivatives financial instruments – current liabilities	35,354	0.12	0	0.00	100	Mainly due to the estimated unrealized loss incurred by the unsettled forward foreign exchange contracts and swap contracts as a result of movements in foreign exchange rates

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(III) Analysis on assets and liabilities (Continued)

2. Details of major restricted assets as at the end of the Reporting Period

Not applicable

3. Details of charge on assets

As at June 30, 2017, lands and buildings of the Group with book value of RMB9,392,000 (original value: RMB34,545,000) were pledged as security for the credit facilities of HK\$30 million.

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

① Number of employees: as of the end of the Reporting Period, the number of employees of the Company was 24,547, representing a decrease of 1,562 employees as compared with that at the end of 2016, which was mainly attributable to the merger and consolidation of Fuyao (Fujian) Bus Glass Co., Ltd. and Fuyao Fujian Glass Encapsulation Co., Ltd. by a wholly-owned subsidiary of the Company, Fujian Wanda Automobile Glass Industry Co., Ltd., resulting in an adjustment to the number of employees.

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

③ Training plans: according to the Group’s strategic plan and annual operating plan, the Company formulated an annual training plan. In the first half of 2017, with the theme of transformation and upgrading, the Group carried out training courses for talents with different belts, including lean internal trainers, lean yellow belt, green and black belt, and red belt talents, to promote the implementation and launch of lean projects. In the daily training and the cultivation of all kinds of talents, based on the idea of “learning through using, learning through teaching, and learning through doing”, the Group provided orientation training, special training for occupational health and safety, professional technical training, ability enhancement training for management, core reserve personnel training, international talent reserve training, training courses for specific post and other kinds of special training in a way that combined training, learning and project practice, which greatly enhanced the professional ability and quality of all kinds of personnel within the Group, sped up the promotion of various projects, improved the efficiency and quality of corporate operation, and thus laid a solid talent foundation for corporate transformation and upgrading.

5. Others

Not applicable

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

(IV) Liquidity and source of capital

1. Cash flows

Unit: '000 Currency: RMB

Items	January to June, 2017 (Unaudited)	January to June, 2016 (Unaudited)
Net cash generated from operating activities	1,649,377	1,455,428
Net cash used in investing activities	-1,673,881	-1,706,247
Net cash generated from financing activities	48,898	1,604,731
Amount increased in liquidity	<u>-108,219</u>	<u>1,483,915</u>

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB1,649 million. In particular, cash received from sales of goods and provision of labor services amounted to RMB9,861 million; cash paid for goods and labor services amounted to RMB5,398 million, cash paid to and paid on behalf of employees amounted to RMB1,746 million, and payment for various taxes amounted to RMB1,192 million.

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

- (2) During the Reporting Period, net cash used in investing activities amounted to RMB-1,674 million. In particular, cash paid for purchase of long-term assets such as properties, plants and equipment amounted to RMB1,506 million; and expenses incurred by the purchase of principal guaranteed floating return bank wealth management products with a maturity of 6 months amounted to RMB0.3 billion.
- (3) During the Reporting Period, net cash generated from financing activities amounted to RMB49 million, of which, cash received from borrowings amounted to RMB5,867 million, cash used for repayment of debts amounted to RMB3,860 million; cash payment for distribution of dividends and payment of interests amounted to RMB1,959 million.

2. 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, RMB1,506 million in cash was paid for purchase and construction of fixed assets, intangible assets and other long-term assets. In particular, capital expenditure of the Fuyao American automotive glass project amounted to RMB288 million, capital expenditure of Fuyao North American ancillary encapsulated glass project amounted to approximately RMB126 million; and while capital expenditure of Tianjin automotive glass project amounted to approximately RMB132 million.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(IV) Liquidity and source of capital (Continued)

3. Borrowings

During the Reporting Period, the new bank borrowings amounted to approximately RMB5,867 million; repayment of borrowings amounted to approximately RMB3,860 million, of which ultra short-term financing bonds amounted to RMB600 million. The Company did not utilize any financial instrument for hedging. As of June 30, 2017, interest-bearing debts are set out as follows:

Unit: 100 million Currency: RMB

Type	Amount
Short-term borrowings with fixed interest rates	55.46
Short-term borrowings with floating interest rates	12.08
Long-term borrowings with fixed interest rates due within one year	8.57
Long-term borrowings with fixed interest rates	1.50
Long-term borrowings with floating interest rates	6.86
Corporate bond	7.98
	<hr/>
Total	92.45

4. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is situated within the PRC and is denominated in Renminbi. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar). The finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent; as such, the Group may avoid foreign exchange risks by ways of entering into forward foreign exchange contracts or currency swap contracts. During the Reporting Period, foreign exchange losses of the Group amounted to RMB171 million, as compared with foreign exchange gains of RMB204 million for the corresponding period of last year.

(V) Capital efficiency

Inventory turnover period during the Reporting Period was 104 days as compared with 109 days of the corresponding period of last year; among which, inventory turnover period for automotive glass was 76 days as compared with 75 days of the corresponding period of last year; inventory turnover period for float glass was 179 days as compared with 157 days of the corresponding period of last year. The overall turnover period less than that of the corresponding period of last year was due to a year-on-year increase in the inventory of automotive glass with higher turnover rate.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(V) Capital efficiency (Continued)

The turnover period of the trade receivables during the Reporting Period was 90 days as compared with 84 days of the corresponding period of last year, which was mainly due to more balances at the beginning of the year than last year. During the Reporting Period, the Company speeded up the collection of trade receivables. As of June 30, 2017, the balances of trade receivables at the end of the period was RMB4,183 million, representing a decrease of 5.10% as compared with that at the beginning of the year.

During the Reporting Period, the return on equity was 7.94% as compared with 9.05% of the corresponding period of last year. The decrease in return on equity year on year was mainly due to the effect of fluctuations in exchange rate. During the Reporting Period, foreign exchange losses of the Group amounted to RMB171 million as compared with foreign exchange gains of RMB204 million for the corresponding period of last year.

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

Unit: '000 Currency: RMB

	As at June 30, 2017 (Unaudited)	As at December 31, 2016
Total borrowings	9,244,579	7,245,173
Less: Cash and cash equivalents	-7,090,616	-7,198,834
Net debts	2,153,963	46,339
Total equity	17,454,770	18,052,428
Total capital	<u>19,608,733</u>	<u>18,098,767</u>
Gearing ratio (%)	<u>10.98%</u>	<u>0.26%</u>

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

(VI) Commitments

For details, please refer to “23. Commitments” in the “Section IX Financial Report”.

(VII) Contingent liabilities

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

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

(VIII) Prospects of the Company for the second half of 2017

For the year of 2017, the domestic and overseas economic environment will become more complex and volatile. Coupled with the slowdown in growth of automobile sales, Fuyao will face greater challenges. As such, the Company will accelerate the design and development of new products and constantly increase its market share 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.

Major work to be carried out by the Company in the second half of 2017:

1. Improve the mentality and capabilities of service and implement quality management by all staff throughout the whole process to create benefits with quality.
2. Advocate product transformation and upgrading, from traditional type to safe, comfortable, intelligent and energy-saving automobiles glass products, to guide the market consumption upgrade.
3. Do well in project management at home and abroad to further promote the Group's international strategy and capture for more market share.
4. Continue to adopt a new model of lean exploration in promotion of technological innovation, lean production and management upgrade, to improve operational efficiency and realize cost reduction and efficiency improvement.
5. Constantly promote "production, learning, research, and usage" integration mechanism, to achieve technological and management innovation, product upgrade, and continue to create value for customers.
6. Further deepen the management reform, to create a competitive atmosphere of "to emulate, learn from, catch up with and help each other" by giving full play to the initiative and creativity of all staff in a "train mode", so as to implement management mode reform, enhance the management level, and ensure the healthy development of the Group.
7. Continue to facilitate the advanced integration of informatization and industrialization, develop intelligent manufacturing and step up the automotive manufacturing levels of the Company, thus setting an example of intelligent manufacturing in China.
8. Continue to carry out talent cultivation and strengthen the construction of human resources, providing an endless flow of power for the Company's development.
9. Always strengthen the operation of intellectual property rights, standards, brands, culture and compliance, intensify the management and operation of intangible assets, which will focus on the enhancement of Fuyao brand, so as to strengthen the soft competitiveness of Fuyao.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

(IX) Analysis of Investment

1. Overall analysis on external investment in equity interest

Not applicable

(1) Material equity investments

Not applicable

(2) 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.. The Company invested USD105 million during the Reporting Period with the accumulated actual investment amounting to USD759 million as of June 30, 2017. The investments were mainly funded by proceeds raised by and borrowings of the Company. Currently, the construction of the capacity of approximately 12 million square meters of the automotive glass project in Moraine, Ohio, the U.S. has been completed. During January to June in 2017, Fuyao Glass America Inc. achieved a revenue of USD115,161,200 and a net profit of USD-10,441,000, representing a significant decrease in net loss year on year (which achieved a profit of USD495,200 in June 2017).

(3) Financial assets at fair value

Unit: Yuan Currency: RMB

Name of items	Opening balance	Closing balance (Unaudited)	Changes in the Reporting Period	Impacted amounts on current profits
Forward foreign exchange contracts	1,951,267	-12,917,060	14,868,327	-14,868,327
Short call on foreign exchange	-	-12,344,390	12,344,390	-4,024,390
Swap contracts	-	-10,092,494	10,092,494	-10,092,494
Total	1,951,267	-35,353,944	37,305,211	-28,985,211

Note: 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 Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(IX) Analysis of Investment (Continued)

2. 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 of June 30, 2017, the Company had used an accumulated amount of USD1,067,317,464.20 of H shares proceeds, which was mainly used for the remittance to the PRC for repaying bank loans and replenishing daily working capital, construction of the US automotive glass and float glass projects and investment for the construction of the Russian automotive glass projects.

The actual use of proceeds from the H shares offering of the Company is in line with the use of proceeds as disclosed in the prospectus in relation to H shares offering of the Company dated March 19, 2015.

(X) Material disposal of assets and equities

On February 24, 2017, the tenth 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 Decoration 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 of 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 totaling RMB9,686,200 (excluding land value-added tax), accounting for 0.57% of the pretax profits of the Company from January to June in 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-related shareholders, or cause adverse effects on its ability to continue as a going concern.

Detailed contents can be seen in 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 in relation to the Transfer of Right to Use State-owned Land, Industrial Workshop and Auxiliary Facilities as published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(XI) Analysis of major subsidiaries and investee companies

Unit: '0,000 Currency: RMB (unless otherwise specified)

Company	Business nature	Major products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Fujian Wanda Automobile Glass Industry Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	74,514.95	248,158.62	158,342.24	118,414.79	61,626.60	57,547.28
Fuyao Group (Shanghai) Automobile Glass Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	USD68.0488 million	327,171.54	107,162.07	135,951.60	40,924.03	38,883.14
Shanghai Fuyao Bus Glass Co., Ltd.	Manufacturing enterprise	Production of special glass and sale of self-produced products	20,000.00	118,302.84	33,831.22	82,480.23	18,331.08	15,914.92
Guangzhou Fuyao Glass Co., Ltd.	Manufacturing enterprise	Production of special glass made of inorganic nonmetallic materials and products	USD75 million	242,033.19	85,795.79	107,093.06	25,992.92	22,132.82
Fuyao Group Changchun Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	30,000.00	111,022.29	72,300.10	88,825.40	18,764.11	16,319.51
Fuyao Glass (Hubei) Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	USD43 million	97,161.55	50,546.80	81,034.49	18,329.28	15,458.81
Chongqing Wansheng Float Glass Co., Ltd.	Manufacturing enterprise	Production and sale of float glass and related glass products	30,000.00	89,892.20	49,237.83	36,520.68	16,634.77	14,285.83
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	USD330 million	580,741.55	54,253.08	78,951.07	-7,156.23	-7,158.03

(XII) The status of structured entity controlled by the Company

Not applicable

II. OTHER DISCLOSURE

(I) Warning and explanation about predicted negative accumulated net profit for the period from the beginning of the year to the end of the next Reporting Period or significant change as compared with the corresponding period of last year

Not applicable

Section IV Management Discussion and Analysis

II. OTHER DISCLOSURE (*Continued*)

(II) 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 upgrade, 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 upgrade. Competition in the automobile industry is stretching from a manufacturing field to a 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 of automobiles fluctuates, the demand of 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 heat-cut glass and UV-cut glass, to provide more comprehensive product solutions and services to customers worldwide.

3. Risks of the market competition

Intensified market competition may result in a decrease in the prices or demand of part of the Company's products. If the competitors of the Company successfully reduces their costs of products or launches 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 applies the strategy of differentiation to strengthen the strategic and cooperative relationship with customers, further satisfies market needs at home and abroad, and constantly improves the value and competitiveness of "Fuyao" brand.

Section IV Management Discussion and Analysis

II. OTHER DISCLOSURE *(Continued)*

(II) Potential risks *(Continued)*

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 costs. 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.

Section IV Management Discussion and Analysis

II. OTHER DISCLOSURE *(Continued)*

(II) Potential risks *(Continued)*

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 rate system based on market supply and demand with reference of a basket of currencies. Although the underlying cause of imbalances in international trade lies in the issues behind the economic structure of certain countries, fluctuations in exchange rates will take place alongside the fluctuations in the global economy, turbulence in certain countries, growing tension in certain key areas, and the tightening and easing of monetary policies by different countries. Given that the export-oriented business has accounted for 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 may manage the potential fluctuations in exchange rates 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 to conduct production and sale in those regions while avoiding risks arising from the fluctuations in exchange rates so as to keep 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 independence and 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) Other disclosure

Not applicable

Section IV Management Discussion and Analysis

III. CORPORATE GOVERNANCE

(I) Corporate Governance overview

1. Corporate Governance Code

The Company is committed to maintaining a high level of corporate governance in order to increase the shareholders' value and safeguard the interests of the shareholders. The Company has formulated a modernized corporate governance structure and established general meetings, the Board of Directors, the Board of Supervisors, special committees of the Board of Directors and senior management with reference to the Company Law of the People's Republic China, the Mandatory Clauses for Articles of Association of Companies Listed Overseas, the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and other provisions.

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

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

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

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the model code on trading the securities of the Company for all directors, supervisors and relevant employees (as defined in the Corporate Governance Code). According to the specific enquiries made to the directors and supervisors of the Company, all directors and supervisors have confirmed that they had strictly complied with the standards stipulated under the Model Code during the Reporting Period.

3. Independent non-executive directors

As at June 30, 2017, the Board of Directors comprised nine directors, three of which are independent non-executive directors. Mr. Wu Yuhui, an independent non-executive director, possesses accounting and financial management qualifications. The composition of the Board of Directors is in line with the requirements that "every board of directors of a listed issuer must include at least three independent non-executive directors", "an issuer must appoint independent non-executive directors representing at least one-third of the board" and "at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise" as stipulated in rules 3.10(1), 3.10A and 3.10(2) of the Hong Kong Listing Rules respectively.

Section IV Management Discussion and Analysis

III. CORPORATE GOVERNANCE *(Continued)*

(II) Special committees of the Board of Directors

1. Audit Committee

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

2. Remuneration and Assessment Committee

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

3. Nomination Committee

The Company has established a nomination committee in accordance with 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 comprises three members with independent non-executive directors being the majority. The chairperson 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, the vice chairman of the Board of Directors and a non-executive director. The terms of reference of the nomination committee are available on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

Section IV Management Discussion and Analysis

III. CORPORATE GOVERNANCE *(Continued)*

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

4. Strategy and Development Committee

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

(III) Significant matters

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

During the Reporting Period, neither did the Company nor any of its subsidiaries purchase, dispose or redeem any listed securities of the Company.

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

The audit committee under the Board of Directors has reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Company for the six months ended June 30, 2017 and has discussed with the senior management of the Company on such matters as the accounting policies and practices adopted by the Company.

Section V Significant Events

I. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of the publication of resolution	Date of disclosure of the publication of resolution
2016 annual general meeting	April 26, 2017	www.sse.com.cn 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 approved all the resolutions by voting of all shareholders, for details please refer to “Announcement on Resolutions Passed at 2016 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd.” published on the Shanghai Securities News, the China Securities Journal, Securities Times, and the website of the SSE (www.sse.com.cn) dated April 27, 2017 and “Poll Results of 2016 Annual General Meeting” on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

II. PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

- (I) Proposed interim profit distribution plan or plan to convert surplus reserves into share capital

The Company did not formulate the interim profit distribution plan or plan to convert surplus reserves into share capital during the Reporting Period.

Section V Significant Events

III. PERFORMANCE OF UNDERTAKINGS

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

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether Performed timely and strictly
Other undertakings	Dividend distribution	Fuyao Glass Industry Group Co., Ltd.	<p>The dividend distribution plan for the shareholders of the Company for the upcoming three years (2015-2017) is as follows:</p> <p>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 for fundraising) 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.</p>	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 V Significant Events

III. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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
			<p>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 of the Company 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 non-executive 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 non-executive 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 non-executive 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 of the convening of the general meeting.</p>			

Section V Significant Events

IV. THE APPOINTMENT AND DISMISSAL OF ACCOUNTANTS

Explanation for the appointment and dismissal of the accountant

Not applicable

Explanation for changes in the appointment of the accountant during the audit period

Not applicable

Explanation of the Company on a “Non-Standard Audit Report” issued by the accountant

Not applicable

Explanation of the Company on the “Non-Standard Audit Report” on the financial report in the annual report for the previous year issued by the accountant

Not applicable

V. MATTERS IN RELATION TO BANKRUPTCY AND RESTRUCTURING

Not applicable

VI. MATERIAL LITIGATION AND ARBITRATION

The Company has no material litigation or arbitration during the Reporting Period

VII. PENALTIES AND RECTIFICATIONS OF THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRERS

Not applicable

Section V Significant Events

VIII. 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 or de facto controller of the Company.

IX. THE EQUITY INCENTIVE SCHEME, EMPLOYEE SHAREHOLDING SCHEME OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THE IMPACT THEREOF

- (I) Relevant equity incentive matters which have been published in temporary announcements and have no developments or changes in subsequent implementation

Not applicable

- (II) Matters which have not been disclosed in temporary announcements or have subsequent developments

For equity incentives

Not applicable

Others

Not applicable

For employee shareholding scheme

Not applicable

For other incentives

Not applicable

Section V Significant Events

X. SUBSTANTIAL CONNECTED TRANSACTIONS

(I) Connected transactions in relation to ordinary business operations

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

Description of the matter

Inquiry index

At the tenth meeting of the eighth session of the Board of Directors held on October 29, 2016, the following resolutions were considered and approved: 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 and the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Fuyao Group Shuangliao Co., Ltd. (福耀集團雙遼有限公司) from September to December 2016 and for the Year 2017.

For details, please refer to the Announcement on the Continuing Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 31, 2016 and the Announcement on Increasing the Projected Continuing Connected Transactions between the Company and Fujian Triplex Machinery Technology Co., Ltd. for the Year 2016 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and on the website of SSE (<http://www.sse.com.cn>) and the Announcement on Continuing Connected Transactions under the Supply of Goods Framework Agreements for the Year 2017 and the Distribution Agreements for the Year 2017 dated October 31, 2016 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Notes: Fujian Triplex Auto Parts Development Co., Ltd. has changed its name to Fujian Triplex Auto Decoration Co., Ltd.; Fuyao Group Shuangliao Co., Ltd. has changed its name to Jinken Glass Industry Shuangliao Co., Ltd..

Section V Significant Events

X. SUBSTANTIAL CONNECTED TRANSACTIONS *(Continued)*

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

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 I, staff cafeteria and club and staff dormitory of Districts I and II of 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 m² 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 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 m² to 133,598.20 m² 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 m² to 133,397.68 m² 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 m² to 136,004.63 m² 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 m² to 138,281.86 m² and the monthly rent has been adjusted from RMB1,768,060.19 to RMB1,797,664.18 starting from June 1, 2017.

3. Matters not disclosed in temporary announcements

Not applicable

Section V Significant Events

X. SUBSTANTIAL CONNECTED TRANSACTIONS *(Continued)*

(II) Connected transactions in relation to acquisition and disposal of assets or equities

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 Block 2, Fuyao Industrial Zone, Taicheng Farm, Shizhu Street, Fuqing City, an industrial plant and the ancillary facilities to Fujian Triplex Automotive Decoration 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 that have been disclosed in temporary announcements and have developments or changes in subsequent implementation

Not applicable

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	Carrying amount of the transferred assets	Transfer price	Settlement method of the connected transaction	Gains on the transferred assets
Fujian Triplex Auto Decoration Co., Ltd.	Others	Sale of assets other than goods	Sale of equipment	Carrying amount	285.72	285.72	60 days after the invoice date	0

Notes 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 equipments to Fujian Triplex Automotive Decoration 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, the connected transaction is abstained from obtaining approval from the Board of Directors of the Company.

4. Results realization that shall be disclosed during the reporting period in terms of results agreed

Not applicable

Section V Significant Events

X. SUBSTANTIAL CONNECTED TRANSACTIONS (*Continued*)

(III) Substantial connected transactions on joint foreign investments

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

Not applicable

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

Not applicable

3. Matters not disclosed in temporary announcements

Not applicable

(IV) Amounts due to or from connected parties

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

Description of the matter

At the twelfth meeting of the eighth session of the Board of Directors held on February 24, 2017, the Resolution in Relation to the Company and Its Subsidiaries in the PRC Providing Borrowings to Jinken Glass Industry (Shuangliao) Co., Ltd. was considered and approved. The Resolution agrees the Company and its subsidiaries in the PRC providing borrowings to Jinken Glass Industry (Shuangliao) Co., Ltd., with the amounts no more than RMB90,000,000, the term no 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. As at the disclosure date of this report, the Company has provided Jinken Glass Industry (Shuangliao) Co., Ltd. with borrowings of RMB51,619,600 in total.

At the twelfth meeting of the eighth session of the Board of Directors held on February 24, 2017, the Resolution on Connected Transaction in Relation to the Company Offering Guarantees for Borrowings of Jinken Glass Industry (Shuangliao) Co., Ltd. was considered and approved. The Resolution agrees the Company offering guarantees for borrowings of Jinken Glass Industry (Shuangliao) Co., Ltd. granted by financial institutions, with the amounts of guarantees in aggregate with borrowings of Jinken Glass Industry (Shuangliao) Co., Ltd. granted by the Company and its subsidiaries no more than RMB190,000,000. The Resolution has been considered and approved at the 2016 Annual General Meeting.

Inquiry index

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Providing Borrowings to Connected Parties 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 website of the Hong Kong Stock Exchange (www.hkexnews.hk).

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to Connected-Party Guarantees dated February 25, 2017 and the Announcement of Fuyao Glass Industry Group Co., Ltd. in relation to the Resolutions at the 2016 Annual General Meeting dated April 27, 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).

Section V Significant Events

X. SUBSTANTIAL CONNECTED TRANSACTIONS *(Continued)*

(IV) Amounts due to or from connected parties *(Continued)*

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

Not applicable

3. Matters not disclosed in temporary announcements

Not applicable

(V) OTHER SUBSTANTIAL CONNECTED TRANSACTIONS

Not applicable

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

(I) Custody, contracting and leasing

Not applicable

Section V Significant Events

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF (Continued)

(II) Guarantee

Unit: '0,000 Currency: RMB

External guarantees of the Company (excluding guarantees for subsidiaries)

Total amount of the guarantees during the Reporting Period (excluding guarantees for subsidiaries)	0
Balance of the total amount of the guarantees at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	0
Guarantees of the Company for subsidiaries	
Total amount of the guarantees for subsidiaries during the Reporting Period	0
Balance of the total amount of the guarantees for subsidiaries at the end of the Reporting Period (B)	162,262.40

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

Total amount of guarantees (A+B)	162,262.40
Total amount of guarantees as a percentage of the net assets of the Company (%)	9.30%
Including:	
The amount of guarantees offered to the shareholders, de facto controllers 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
Remark on guarantee	

Foreign currencies are translated based on the exchange rate published by the People's Bank of China on June 30, 2017

(III) Other material contracts

Not applicable

Section V Significant Events

XII. CONVERTIBLE CORPORATE BONDS

Not applicable

XIII. EXPLANATIONS ON THE ENVIRONMENT PROTECTION BY THE COMPANY AND ITS SUBSIDIARIES LISTED AS KEY POLLUTANT DISCHARGING COMPANIES PUBLISHED BY THE ENVIRONMENTAL PROTECTION AUTHORITY

The wholly-owned subsidiary of the Company, Chongqing Wansheng Float Glass Co., Ltd. (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, SO₂ and NO_x. Chongqing Float Glass implements the emission standard in the Chart 2 of GB26453-2011 *Emission Standard of Air Pollutants for the Flat Glass Industry*.

The waste gas produced by the two production lines of Chongqing Float Glass is discharged through two chimneys, among which No.WSFQG0010322 waste gas discharge outlet discharges special pollutants including smoke, SO₂ and NO_x with the emission concentration of 25.2mg/m³, 151mg/m³ and 577mg/m³ and the total permitted emission quantity of 44.658t/a, 325.872t/a and 523.452t/a, and No. WSFQG0010336 discharge outlet discharges special pollutants including smoke, SO₂ and NO_x with the emission concentration of 28.9mg/m³, 126mg/m³ and 497mg/m³ and the total permitted emission quantity of 31.441t/a, 217.248t/a and 348.968t/a. The above emission concentrations are lower than the national emission standards, and the total emission quantity is lower than the total amount verified by the environmental protection authority.

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

Section V Significant Events

XIV. DETAILS OF OTHER SIGNIFICANT MATTERS

- (I) Details, reasons and impact from the changes to the accounting policies, accounting estimates and audit methods compared with the last accounting period

On May 10, 2017, the Notice Regarding Amendments to “Accounting Standards for Business Enterprises No. 16 – Government Grants” (Cai Kuai [2017] No. 15) was issued by the Ministry of Finance, with effect on the enterprises being regulated by Accounting Standards for Business Enterprises from June 12, 2017.

According to the provisions of the above document, the Company commenced to implement the amended “Accounting Standards for Business Enterprises No. 16 – Government Grants” above from June 12, 2017. The *Resolution in Relation to the Changes to the Accounting Policies* was considered and approved at the fifteenth meeting of the eighth session of the Board of Directors and the twelfth meeting of the eighth session of the Board of Supervisors of the Company convened on August 4, 2017.

Detailed contents can be seen in the Announcement of Fuyao Glass Industry Group Co., Ltd. on the Changes to the Accounting Policies dated August 5, 2017 as published on Shanghai Securities News, China Securities Journal, Securities Times and the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

- (II) Particulars, correction amount, reason and its influence of significant accounting errors amended by retrospective restatement during the Reporting Period

Not applicable

Section V Significant Events

XIV. DETAILS OF OTHER SIGNIFICANT MATTERS *(Continued)*

(III) Others

The *Resolution in Relation to the Absorption and Merger of Fuyao (Fujian) Bus Glass Co., Ltd. and Fuyao Fujian Glass Encapsulation Co., Ltd., the direct or indirect wholly-owned subsidiary of the Company by Fujian Wanda Automobile Glass Industry Co., Ltd., the direct or indirect wholly-owned subsidiary of the Company* was considered and approved at the eleventh meeting of the eighth session of the Board of Directors of the Company convened on December 16, 2016. With a view to centralize its operations, improve operational efficiency and effectively integrate resources, such as assets, business, human resource and finance of the Company and its three subsidiaries, Fujian Wanda Automobile Glass Industry Co., Ltd., Fuyao (Fujian) Bus Glass Co., Ltd. and Fuyao (Fujian) Glass Encapsulation Co., Ltd., Fujian Wanda Automobile Glass Industry Co., Ltd. as the principal absorbed and merged Fuyao (Fujian) Bus Glass Co., Ltd. and Fuyao Fujian Glass Encapsulation Co., Ltd.. Upon completion of this absorption and merger, Fujian Wanda Automobile Glass Industry Co., Ltd., the combining party, shall be the continuing entity while Fuyao (Fujian) Bus Glass Co., Ltd. and Fuyao (Fujian) Glass Encapsulation Co., Ltd., the combined parties, shall be dissolved and de-registered in accordance with the law. As of the date of this report, the Company has completed the business registration procedures of the above matters.

Please refer to the *Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to the Absorption and Merger of its Wholly-Owned Subsidiaries* dated December 17, 2016 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.

Section VI Changes in Ordinary Shares and Information of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of Changes in Shares

1. Table of Changes in Shares

As at June 30, 2017, the Company had a registered capital of RMB2,508,617,532, divided into 2,508,617,532 shares with a par value of RMB1.00 each. These shares comprise 2,002,986,332 A shares and 505,631,200 H Shares. During the Reporting Period, there was no change in the total number of shares and the structure of share capital of the Company.

2. Changes in Shares

Not applicable

3. The impact of changes in shares on earnings per share, net asset value per share and other financial indicators at the end of Reporting Period to the date of interim report (if any)

Not applicable

4. Other information disclosure deemed necessary by the Company or as required by securities regulatory authorities

Not applicable

(II) Changes in Shares Subject to Selling Restrictions

Not applicable

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

As at June 30, 2017, the Company had 83,164 shareholders in total, including 83,102 holders of A shares and 62 holders of H shares.

Total number of shareholders of ordinary shares as of the Reporting Period	83,164
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0

Section VI Changes in Ordinary Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (Continued)

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

Unit: share

Particulars of top ten shareholders

Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Shareholding at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Pledged or moratorium		Nature of shareholders
					Status of shares	Number	
HKSCC NOMINEES LIMITED <i>(Note)</i>	-13,844,800	491,736,000	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	-30,606,680	223,384,468	8.9		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	4,504,452	27,074,759	1.08		Unknown		Domestic natural person
Central Huijin Asset Management Ltd.	0	24,598,300	0.98		Unknown		Unknown
Canada Pension Plan Investment Board - Own Funds	0	22,441,781	0.89		Unknown		Unknown
Shanghai Lejin Investment Partnership (limited partnership) (上海樂進投資合夥企業(有限合夥))	18,335,297	21,301,297	0.85		Unknown		Unknown

Section VI Changes in Ordinary Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (Continued)

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

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held not subject to selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED <i>(Note)</i>	491,736,000	Overseas listed foreign-invested shares	491,736,000
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	223,384,468	Ordinary shares dominated in RMB	223,384,468
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	27,074,759	Ordinary shares dominated in RMB	27,074,759
Central Huijin Asset Management Ltd.	24,598,300	Ordinary shares dominated in RMB	24,598,300
Canada Pension Plan Investment Board – Own Funds	22,441,781	Ordinary shares dominated in RMB	22,441,781
Shanghai Lejin Investment Partnership (limited partnership) (上海樂進投資合夥企業(有限合伙))	21,301,297	Ordinary shares dominated in RMB	21,301,297

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

The de facto controllers of Sanyi Development Ltd. and Fujian Yaohua Industrial Village Development Co., Ltd. are members of the same family. With regard to the remaining eight 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 VI Changes in Ordinary Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS *(Continued)*

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

As at June 30, 2017, the interests or 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 <i>(the chairman and an executive director)</i>	Beneficial owner/ interest of his spouse/ interest of controlled corporation	437,257,991 (L)	21.83 (L)	17.43 (L)	A share

Notes:

- (1) Mr. Cho Tak Wong directly held 314,828 A shares (L) and indirectly held 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 was 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 June 30, 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 shall 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, pursuant to section 352 of the SFO, shall be recorded in the register referred to therein; or which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Section VI Changes in Ordinary Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS *(Continued)*

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

As at June 30, 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 or 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 ⁽⁵⁾ (%)	Percentage of total issued share capital of the Company ⁽⁵⁾ (%)	Class of shares
Chan Fung Ying ⁽¹⁾	Interest of her spouse/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
Commonwealth Bank of Australia ⁽²⁾	Interest of controlled corporation	53,373,600 (L)	10.56 (L)	2.13 (L)	H share
Matthews International Capital Management, LLC	Investment manager	60,602,800 (L)	11.98 (L)	2.42 (L)	H share
Mawer Investment Management Ltd.	Investment manager	30,403,185 (L)	6.01 (L)	1.21 (L)	H share
JPMorgan Chase & Co. ⁽³⁾	Beneficial owner/ investment manager/custodian	30,035,103 (L) 507,200 (S) 13,373,804 (P)	5.94 (L) 0.10 (S) 2.64 (P)	1.20 (L) 0.02 (S) 0.53 (P)	H share
Citigroup Inc. ⁽⁴⁾	Interest of controlled corporation/ custodian	29,476,710 (L) 2,890,400 (S) 23,137,510 (P)	5.83 (L) 0.57 (S) 4.58 (P)	1.18 (L) 0.12 (S) 0.92 (P)	H share

Notes:

- (1) Ms. Chan Fung Ying indirectly held 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 an interest in 402,980,249 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) As ASB Group Investments Limited, First State Investments (Hong Kong) Ltd., First State Investment Management (UK) Limited and First State Investments (Singapore), the entities controlled by Commonwealth Bank of Australia, held 53,373,600 H shares (L) of the Company in aggregate, Commonwealth Bank of Australia was deemed to have an interest in the shares of the Company held by such entities.
- (3) JPMorgan Chase & Co. held 30,035,103 H shares (L), 507,200 H shares (S) and 13,373,804 H shares (P) of the Company through multiple entities under its control. In addition, 734,444 H shares (L) and 7,200 H shares (S) related to derivatives, namely the unlisted derivatives – physically settled.

Section VI Changes in Ordinary Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS *(Continued)*

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

- (4) Citigroup Inc. held 29,476,710 H shares (L), 2,890,400 H shares (S) and 23,137,510 H shares (P) of the Company through multiple entities under its control. In addition, 1,408,600 H shares (L) related to derivatives, namely the unlisted derivatives – cash settled.
- (5) The percentage is based on the issued number of the relevant class of shares divided by the number of total issued shares of the Company as at June 30, 2017.
- (6) (L) – long position, (S) – short position, (P) – lending pool.

Save as disclosed above, as at June 30, 2017, there was no person having interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

(V) Strategic investors or general legal persons who are the top ten shareholders by placement of new shares

Not applicable

III. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Not applicable

Section VII Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDING

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

Unit: share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Changes in shares held for the Reporting Period
Cho Tak Wong	Executive Director, Chairman of the Board of Directors	314,828	314,828	0
Tso Fai	Non-executive Director, Vice Chairman of the Board of Directors	-	-	-
Chen Xiangming	Executive Director, Joint Company Secretary, Chief Financial Officer	-	-	-
Sun Yiqun	Executive Director, Vice President	-	-	-
Wu Shinong	Non-executive Director	-	-	-
Zhu Dezhen	Non-executive Director	-	-	-
Cheng Yan	Independent Non-executive Director	-	-	-
Liu Xiaozhi	Independent Non-executive Director	-	-	-
Wu Yuhui	Independent Non-executive Director	-	-	-
Bai Zhaohua	Chairman of the Board of Supervisors	-	-	-
Ni Shiyou	Supervisor	-	-	-
Chen Mingsen	Supervisor	-	-	-
Ye Shu	President	-	-	-
He Shimeng	Vice President	33,633	33,633	0
Chen Juli	Vice President	-	-	-
Huang Xianqian	Vice President	-	-	-
Lin Yong	Vice President	-	-	-
Li Xiaoxi	Secretary to the Board of Directors	365,600	365,600	0
Zuo Min (resigned)	President	16,136,623	16,136,623	0

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

- (II) Option incentive granted to directors, supervisors and senior management during the Reporting Period

Not applicable

Section VII Directors, Supervisors and Senior Management

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

Name	Position	Change
Ye Shu	Vice President	Appointed
Lin Yong	Vice President	Appointed
Sun Yiqun	Executive Director	Elected
Zuo Min	President	Resigned
Ye Shu	President	Appointed

Details of Changes in Directors, Supervisors and Senior Management of the Company

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 April 26, 2017, the appointments of Ms. Sun Yiqun as an executive 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, 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.
3. 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.
4. On March 25, 2017, the appointments 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.

Section VII Directors, Supervisors and Senior Management

III. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules, the information of the director of the Company is changed as follows:

1. Mr. Wu Yuhui, an independent non-executive director of the Company, resigned as the independent non-executive director of Shenzhen Tongdao Technology Ltd. (深圳市通道科技股份有限公司) in May 2017, and has been acting as the independent non-executive director of 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) since June 2017.

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

Section VIII 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 Offering 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

Not applicable

Other Information of Corporate Bonds

Not applicable

II. BOND TRUSTEE, CONTACT INFORMATION AND CREDIT RATING AGENCY CONTACT INFORMATION OF CORPORATE BONDS

Bond Trustee	Name	Beijing Haiwen & Partners
	Office address	20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing
Credit rating agency	Contact	Gao Wei
	Contact number	010-8560 6888
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	21/F, Anji Building, No. 760, South Tibet Road, Shanghai

Section VIII Relevant Information of Corporate Bonds

III. THE USE OF CAPITAL RAISED FROM CORPORATE BONDS

1. The capital raised from 16 FUYAO 01 (hereafter 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 during the current period. As at the end of the Reporting Period, the capital raised from Current Corporate Bond had been used up. The management and use of the capital raised from the above corporate bond are consistent with the intended use, use plan and other commitments specified in the corporate bond prospectus. Details of the specific use are as below:

Repayment of Bank Loans with Capital Raised from Current Corporate Bond

Unit: Yuan Currency: RMB

No.	Name of banks	Amount	Payment schedule
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	<u>200,000,000.00</u>	August 1, 2016
Total		<u>410,977,141.66</u>	

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	<u>155,557.10</u>
Total		<u>386,944,732.77</u>

Section VIII Relevant Information of Corporate Bonds

III. THE USE OF PROCEEDS RAISED FROM CORPORATE BONDS (Continued)

2. Procedures to the Use of Proceeds

The Company used the capital raised from Current Corporate Bonds in strict accordance with the commitments in “Prospectus of Fuyao Glass Industry Group Co., Ltd. in Relation to the Public Issuance of 2016 Corporate Bonds (First Tranche) (to Qualified Investors)” (hereafter referred to as the “Prospectus”) and the requirements of systems such as the Articles of Association of the Company and Administrative Measures for Investment and Raised Capital, and established specific accounts to receive, place, transfer and repay interest and principal as well as strictly implemented the level-by-level approval procedures. Upon receipt, the capital raised from Current Corporate Bonds was used in strict accordance with the requirements of Approved Limited Management of the Company.

3. Operations of Specific Accounts of Bond Offering Proceeds

The Company, in strict fulfillment of the relevant commitments in the Current Corporate Bonds 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.

IV. THE CORPORATE BOND 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 main credit rating is rated as AAA, and 16 FUYAO 01's credit rating is rated as AAA, indicating that the Company enjoys a strong ability to repay debts, suffers less from the adverse economic environment and has minimal risk of default.

On April 19, 2017, China Chengxin Securities Rating Co., Ltd. carried out follow-up analysis of the bond credit of the Company in the current period. According to the final approval by the Credit Rating Committee of China Chengxin Securities Rating, the main credit rating of the Company was maintained as AAA. Due to stable prospects of the credit rating, the credit rating of the corporate bond in the current period was maintained as AAA.

The details of relevant follow-up rating report can be seen in the Follow-up Rating Report of the Public Issuance of Corporate Bonds for the Year of 2016 (Phase I) by Guyao Glass Industry Group Co., Ltd. (2017) dated April 21, 2017 as published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and official website of China Chengxin Securities Rating Co., Ltd. (<http://www.ccxr.com.cn/>).

Section VIII Relevant Information of Corporate Bonds

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

1. Corporate bond credit enhancement mechanism in the current period

There are not any corporate bond obligations in the current period.

2. Implementation situation of the debt repayment plan in the current period

After the issuance of the corporate bonds in the current period, the Company further strengthened the operation management and fund management according to debt structure, and guaranteed sufficient funds were prepared promptly for consistency the payment of annual interest and redemption of mature principal, in order to fully protect the interests of eligible investors.

During the Reporting Period, the Company realized revenue of RMB8,713,963,000 representing an increase of 14.89% as compared with the corresponding period last year; realized profit before tax of RMB1,686,213,000, representing a decrease of 5.21% as compared with the corresponding period last year, which was mainly due to an exchange loss of RMB171,155,000 (the exchange gains were RMB203,920,000 from January to June 2016) resulting from the RMB appreciation, without taking this factor into account, the profit before tax of the Reporting Period represented a year-on-year increase of 17.93%; and the Company realized net profit attributable to equity holders of the Company of RMB1,386,031,000 representing a decrease of 4.84% as compared with the corresponding period last year; earnings per share was RMB0.55, representing a decrease of 5.17% as compared with the corresponding period last year.

During the Reporting Period, net cash from operating activities of the Company amounted to RMB1,649,377,000, representing an increase of 13.33% as compared with the corresponding period last year.

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 repayment of principal and interest of corporate bonds in the current period, the emergency guarantee plan shall include:

(1) Realization of current assets

By June 30, 2017, the balance of current assets in the financial statements of the parent company was RMB21,773,835,000, and the balance of current assets excluding inventories was RMB21,365,081,000.

Section VIII Relevant Information of Corporate Bonds

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

3. Emergency guarantee plan for debt repayment *(Continued)*

(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. By June 30, 2017, the Company obtained total credit of RMB25.552 billion from several financial institutions such as Industrial and Commercial Bank of China Co., Ltd. and Bank of China Limited, of which RMB9.125 billion had been used, and RMB16.427 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 corporate bonds in the current period: strictly using corporate bonds for the purpose of fundraising, designating special persons for the repayment of the corporate bonds of the current period, 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 the 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 prospectus of corporate bonds. 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 Offering of 2016 Corporate Bonds (Phase I) of Fuyao Glass Industry Group Co., Ltd., details of which are set out in the announcement dated June 24, 2017 as disclosed on the websites of SSE (<http://www.sse.com.cn>) and HongKong Stock Exchange (<http://www.hkexnews.hk>).

Section VIII Relevant Information of Corporate Bonds

VIII. ACCOUNTING DATA AND FINANCIAL INDICATOR FOR THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR) (PREPARED IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

Unit: 0,000 Currency: RMB

Main indicators	At the end of the Reporting Period (Unaudited)	At the end of last year	Increase/decrease at the end of the Reporting Period as compared with the end of last year (%)
	Current ratio (times) ⁽¹⁾	1.38	1.54
Quick ratio (times) ⁽²⁾	1.11	1.26	-12.07
Gearing ratio ⁽³⁾	43.15%	39.60%	3.55
	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)	Increase/decrease for the Reporting Period as compared with the Corresponding period last year (%)
Earnings before interest, taxes, depreciation and amortization ⁽⁴⁾	243,765.64	245,761.40	-0.81
Interest coverage ratio (times) ⁽⁵⁾	18.13	19.98	-9.27
Cash interest coverage ratio (times) ⁽⁶⁾	30.53	23.90	27.77
EBITDA interest coverage ratio (times) ⁽⁷⁾	25.22	25.17	0.22
Total debt to EBITDA ratio ⁽⁸⁾	0.24	0.30	-18.31
Loan repayment ratio ⁽⁹⁾	100%	100%	-
Interest repayment ratio ⁽¹⁰⁾	100%	100%	-

Notes:

- (1) Current ratio = current assets ÷ current liabilities
- (2) Quick ratio = (current assets – inventories) ÷ current liabilities
- (3) Gearing ratio = (total liabilities ÷ total assets) × 100%
- (4) Earnings before interest, taxes, depreciation and amortization (EBITDA) = Total profit + interest expenses recognized in finance costs + depreciation + amortization of intangible assets + Amortization of long-term deferred expenses
- (5) Interest coverage ratio = profit before interest and tax/(interest expenses recognized in finance costs + capitalized interest expenses)
- (6) Cash interest coverage ratio = (net cash flows generated from operating activities + cash interest expenses + income tax paid in cash)/cash interest expenses
- (7) EBITDA interest coverage ratio = EBITDA/(interest expenses recognised in finance costs + capitalized interest expenses)
- (8) 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
- (9) Loan repayment ratio = actual amount of loan repayment/loan amount repayable
- (10) Interest repayment ratio = interests actually paid/interests payable

Section VIII Relevant Information of Corporate Bonds

IX. THE INFORMATIONS OF THE OVERDUE LOAN

Not applicable

X. 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, there was no deferred payment of interest and principal or the inability to pay interest and principal.

XI. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

As at June 30, 2017, the Company had a total bank credit of RMB25.552 billion, of which RMB9.125 billion has been used and RMB16.427 billion has not been used.

XII. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR COMMITMENTS SPECIFIED IN CORPORATE BOND 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, used the proceeds in a compliant manner and there was no damage to the interests of bond investors.

XIII. THE SIGNIFICANT EVENT OF THE COMPANY AND ITS IMPACTS ON THE OPERATION POSITION AND REPAYMENT ABILITY OF THE COMPANY

Not applicable

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Balance Sheet

	<i>Note</i>	As at June 30, 2017 <i>RMB'000</i> (Unaudited)	As at December 31, 2016 <i>RMB'000</i> (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	14,039,683	13,416,477
Leasehold land and land use rights	7	1,010,266	1,026,359
Intangible assets	8	153,506	157,103
Investments in joint ventures	9	41,473	40,065
Investments in an associate	9	59,817	61,472
Long-term prepaid rental expenses		30,188	33,537
Deferred income tax assets	10	192,098	193,404
Other non-current asset	11	56	290
		15,527,087	14,928,707
Current assets			
Inventories		2,981,099	2,785,865
Trade and other receivables	11	4,770,797	4,952,027
Derivative financial instruments		–	1,951
Restricted cash		323,138	12,345
Cash and cash equivalents		7,090,616	7,198,834
		15,165,650	14,951,022
Total assets		30,692,737	29,879,729
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	12	2,508,618	2,508,618
Share premium	13	6,202,553	6,202,553
Other reserves	13	1,650,847	1,751,558
Retained earnings		7,089,339	7,584,771
		17,451,357	18,047,500
Non-controlling interests		3,413	4,928
Total equity		17,454,770	18,052,428

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

Condensed Consolidated Interim Balance Sheet (Continued)

	<i>Note</i>	As at June 30, 2017 RMB'000 (Unaudited)	As at December 31, 2016 RMB'000 (audited)
Liabilities			
Non-current liabilities			
Borrowings	14	1,633,623	1,573,531
Deferred income tax liabilities	10	84,759	80,408
Deferred income on government grants	15	457,762	461,923
		<u>2,176,144</u>	<u>2,115,862</u>
Current liabilities			
Trade and other payables	16	3,192,077	3,585,112
Current income tax liabilities		203,309	434,780
Borrowings	14	7,610,956	5,671,642
Derivatives financial instruments		35,354	–
Current portion of deferred income on government grants	15	20,127	19,905
		<u>11,061,823</u>	<u>9,711,439</u>
		<u>11,061,823</u>	<u>9,711,439</u>
Total liabilities		<u>13,237,967</u>	<u>11,827,301</u>
Total equity and liabilities		<u>30,692,737</u>	<u>29,879,729</u>

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

Condensed Consolidated Interim Income Statement

	<i>Note</i>	Accumulated in June 2017 RMB'000 (Unaudited)	Accumulated in June 2016 RMB'000 (Unaudited)
Revenue	17	8,713,963	7,584,425
Cost of sales		(5,066,724)	(4,380,303)
Gross profit		3,647,239	3,204,122
Distribution costs and selling expenses		(611,652)	(561,681)
Administrative expenses		(842,216)	(705,949)
Research and development expenses		(389,069)	(335,746)
Other income		60,889	23,111
Other gains/(losses) – net	18	(194,394)	199,859
Operating profit	19	1,670,797	1,823,716
Finance income		81,063	28,705
Finance costs		(65,402)	(75,386)
Finance costs – net		15,661	(46,681)
Share of profit after tax of joint ventures and associates		(245)	1,882
Profit before tax		1,686,213	1,778,917
Income tax expense	20	(301,697)	(321,739)
Profit for the period		1,384,516	1,457,178
Profit attributable to:			
Equity holders of the Company		1,386,031	1,456,476
Non-controlling interests		(1,515)	702
Profit for the period		1,384,516	1,457,178
Earnings per share attributable to equity holders of the Company during the period			
– Basic and diluted earnings per share (expressed in RMB per share)	21	0.55	0.58

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

Condensed Consolidated Interim Statement of Comprehensive Income

	<i>Note</i>	Accumulated in June 2017 RMB'000 (Unaudited)	Accumulated in June 2016 RMB'000 (Unaudited)
Profit for the period		1,384,516	1,457,178
Other comprehensive income/(loss): <i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(100,711)	94,904
Other comprehensive income/(loss) for the period, net of tax		(100,711)	94,904
Total comprehensive income for the period		<u>1,283,805</u>	<u>1,552,082</u>
Total comprehensive income attributable to:			
Equity holders of the Company		1,285,320	1,551,380
Non-controlling interests		(1,515)	702
Total comprehensive income for the period		<u>1,283,805</u>	<u>1,552,082</u>

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to equity holders of the Company				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
As at January 1, 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 period				1,386,031	1,386,031	(1,515)	1,384,516
Other comprehensive income:							
Currency translation differences – the Group			(100,711)		(100,711)		(100,711)
Total comprehensive income			(100,711)	1,386,031	1,285,320	(1,515)	1,283,805
Total transaction with equity holders:							
Dividends declared for 2016				(1,881,463)	(1,881,463)		(1,881,463)
Total transaction with equity holders, recognised directly in equity				(1,881,463)	(1,881,463)		(1,881,463)
Appropriation to statutory reserve							
As at June 30, 2017	2,508,618	6,202,553	1,650,847	7,089,339	17,451,357	3,413	17,454,770

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

Condensed Consolidated Interim Statement of Changes in Equity (Continued)

	Attributable to equity holders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
As at January 1, 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 period				1,456,476	1,456,476	702	1,457,178
Other comprehensive income:							
Currency translation differences – the Group			94,904		94,904		94,904
Total comprehensive income			94,904	1,456,476	1,551,380	702	1,552,082
Transactions with equity holders:							
Dividends declared for 2015				(1,881,463)	(1,881,463)		(1,881,463)
Total transaction with equity holders, recognised directly in equity				(1,881,463)	(1,881,463)		(1,881,463)
As at June 30, 2016	2,508,618	6,202,553	1,192,995	6,189,039	16,093,205	7,141	16,100,346

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

Condensed Consolidated Interim Cash Flow Statement

<i>Note</i>	Accumulated in June 2017 RMB'000 (Unaudited)	Accumulated in June 2016 RMB'000 (Unaudited)
Cash flow from operating activities		
Cash generated from operations	2,205,426	1,852,839
Income taxes paid	(556,049)	(397,411)
Net cash generated from operating activities	1,649,377	1,455,428
Cash flow from investing activities		
Proceeds from disposal of subsidiaries	–	101,103
Proceeds from disposal of property, plant and equipment	42,971	21,470
Proceeds from disposal of leasehold land and land use rights	10,570	–
Purchases of property, plant and equipment	(1,498,197)	(1,850,127)
Purchases of leasehold land and land use rights	–	(10,702)
Purchase of intangible assets	(7,408)	(4,147)
Interest received	81,064	28,705
(Increase)/decrease in restricted cash	(310,793)	951
Government grants received relating to property, plant and equipment	7,912	6,500
Net cash used in investing activities	(1,673,881)	(1,706,247)
Cash flow from financing activities		
Proceeds from borrowings	5,867,144	6,025,484
Repayments of borrowings	(3,859,726)	(2,898,286)
Dividends paid to the Company's shareholders	(1,881,463)	(1,440,250)
Interest paid	(77,057)	(82,217)
Net cash generated from financing activities	48,898	1,604,731
Exchange gains/(losses) on cash and cash equivalents	(132,612)	130,003
Net (decrease)/increase in cash and cash equivalents	(108,218)	1,483,915
Cash and cash equivalents at the beginning of the period	7,198,834	5,906,233
Cash and cash equivalents at the end of the period	7,090,616	7,390,148
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated balance sheets	7,090,616	7,390,027
Add: Cash and cash equivalents attributable to the disposal groups	–	121
Cash and cash equivalents as stated in the consolidated cash flow statement	7,090,616	7,390,148

Section IX Financial Report

II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General 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 April 14, 1987 as a sino-foreign equity joint venture. On June 21, 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 SSE ("A shares") and the Main Board of the Hong Kong Stock Exchange ("H shares"). As at June 30, 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), the largest shareholder, together with 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 and float glass both at home and abroad.

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

The condensed consolidated interim financial statements are unaudited, and were approved to be issued by the Board of Directors on August 4, 2017.

2. Accounting Policies

Except as described below, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended December 31, 2016.

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

New standard, amendments and improvements of IFRSs adopted by the Group in 2017:

- Amendments to IAS 12 "Income tax"
- Amendments to IAS 7 "Cash Flow Statement"
- Revised IFRS 12 "Disclosure of Interests in Other Entities"

Section IX Financial Report

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

2. Accounting Policies *(Continued)*

New standard, amendments and improvements of IFRSs adopted by the Group in 2017: *(Continued)*

The adoption of the above new amendments and improvements starting from January 1, 2017 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended June 30, 2017.

The Group has not early adopted any new accounting and financial reporting standards, amendments and improvements to existing standards which have been issued but are not yet effective for the financial year ending on December 31, 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 and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Condensed Consolidated Interim Financial Statements do not include all the information on financial risk management and disclosure required to be disclosed in the annual financial statements. There have been no changes in the risk management department or in any risk management policies since year end 2016.

Section IX Financial Report

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

3. Financial Risk Management *(Continued)*

3.2 Liquidity Risk

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

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity 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 <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at June 30, 2017				
Borrowings, including				
interest payables	7,772,136	678,137	1,031,419	9,481,692
Derivative financial instruments	35,354	–	–	35,354
Financial liabilities included in trade payables and other payables	<u>2,748,827</u>	<u>–</u>	<u>–</u>	<u>2,748,827</u>
	<u>10,556,317</u>	<u>678,137</u>	<u>1,031,419</u>	<u>12,265,873</u>
As at December 31, 2016				
Borrowings, including interest payables	5,744,592	760,644	875,167	7,380,403
Financial liabilities included in trade payables and other payables	<u>3,004,815</u>	<u>–</u>	<u>–</u>	<u>3,004,815</u>
	<u>8,749,407</u>	<u>760,644</u>	<u>875,167</u>	<u>10,385,218</u>

Section IX Financial Report

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

3. Financial Risk Management *(Continued)*

3.3 Fair Value Estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at December 31, 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at June 30, 2017				
Liabilities				
Derivative financial assets				
– forward foreign exchange contract	–	12,918	–	12,918
– short call on foreign exchange	–	12,344	–	12,344
– swap contract	–	10,092	–	10,092
	<u>–</u>	<u>35,354</u>	<u>–</u>	<u>35,354</u>
As at December 31, 2016				
Assets				
Derivative financial assets				
– forward foreign exchange contract	–	1,951	–	1,951
	<u>–</u>	<u>1,951</u>	<u>–</u>	<u>1,951</u>

Section IX Financial Report

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

3. Financial Risk Management (*Continued*)

3.3 Fair Value Estimation (*Continued*)

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

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

- (c) Valuation techniques used to derive Level 2 fair values

Level 2 derivative financial instruments forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

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

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

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

Section IX Financial Report

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

4. Critical Accounting Estimates and Judgements

Estimates and judgements 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 judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements 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, residual values and the related depreciation charges 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 estimated residual values and therefore depreciation expense in future periods.

(b) Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

In the opinion of the directors of the Company, the recoverable amount of the CGU will not be lower than the carrying amount when a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount occurs.

(c) 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.

Section IX Financial Report

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

4. Critical Accounting Estimates and Judgements (*Continued*)

(d) Current and Deferred Income Tax

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

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

(e) 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 provision for impairment at each balance sheet date.

(f) 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, whichever is higher. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment review 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 comprehensive income statements.

Section IX Financial Report

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

5. Segment Information

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

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

6. Property, Plant and Equipment

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and office equipment <i>RMB'000</i>	Tools, dies, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
For the six-month period ended June 30, 2017						
Opening net book amount as at January 1, 2017	3,238,884	5,290,054	730,941	334,634	3,821,964	13,416,477
Transfer	84,236	643,770	104,135	550	(832,691)	–
Other additions	31,813	52,834	138,132	152,912	1,183,144	1,558,835
Disposals	(24,160)	(107,020)	(23,905)	(3,392)	–	(158,477)
Depreciation	(99,898)	(365,097)	(103,155)	(91,867)	–	(660,017)
Currency translation difference	(16,284)	(39,118)	(992)	232	(60,973)	(117,135)
Closing net book amount as at June 30, 2017	3,214,591	5,475,423	845,156	393,069	4,111,444	14,039,683

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and office equipment <i>RMB'000</i>	Tools, dies, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
For the six-month period ended June 30, 2016						
Opening net book amount as at January 1, 2016	2,680,894	4,450,069	542,823	290,176	2,842,567	10,806,529
Transfer	329,314	1,014,744	90,167	–	(1,434,225)	–
Other additions	45,759	102,096	79,797	110,092	1,395,964	1,733,708
Disposals	(2,275)	(20,168)	(16,859)	(3,126)	–	(42,428)
Depreciation	(92,807)	(332,336)	(75,214)	(76,418)	–	(576,775)
Currency translation difference	45,846	28,577	848	153	54,505	129,929
Closing net book amount as at June 30, 2016	3,006,731	5,242,982	621,562	320,877	2,858,811	12,050,963

Section IX Financial Report

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

7. Leasehold Land and Land Use Rights

Leasehold land and land use rights are mainly the consideration for obtaining the land use rights located in the PRC

	For the period ended June 30,	
	2017 RMB'000	2016 RMB'000
Opening net book amount	1,026,359	1,067,429
Currency translation difference	(448)	287
Additions	–	10,702
Disposals	(3,821)	(17,832)
Amortisation charges	(11,824)	(12,085)
Closing net book value	<u>1,010,266</u>	<u>1,048,501</u>

8. Intangible Assets

	Goodwil RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
For the six-month period ended June 30, 2017						
Opening net book amount as at January 1, 2017	<u>74,678</u>	<u>3,858</u>	<u>41,805</u>	<u>27,154</u>	<u>9,608</u>	<u>157,103</u>
Currency translation difference	–	–	(882)	701	27	(154)
Additions	–	–	–	7,020	388	7,408
Disposals	–	–	–	–	–	–
Amortisation charges	–	(956)	(1,702)	(7,059)	(1,134)	(10,851)
Closing net book amount as at June 30, 2017	<u>74,678</u>	<u>2,902</u>	<u>39,221</u>	<u>27,816</u>	<u>8,889</u>	<u>153,506</u>

	Goodwil RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
For the six-month period ended June 30, 2016						
Opening net book amount as at January 1, 2016	<u>74,678</u>	<u>6,063</u>	<u>42,666</u>	<u>18,096</u>	<u>12,409</u>	<u>153,912</u>
Currency translation difference	–	–	813	161	20	994
Additions	–	–	–	4,147	–	4,147
Disposals	–	–	–	(245)	–	(245)
Amortisation charges	–	(1,102)	(1,666)	(4,544)	(1,481)	(8,793)
Closing net book amount as at June 30, 2016	<u>74,678</u>	<u>4,961</u>	<u>41,813</u>	<u>17,615</u>	<u>10,948</u>	<u>150,015</u>

Section IX Financial Report

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

9. Investments in a Joint Venture and an Associate

	For the period ended June 30,	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Joint Venture		
Opening balance	40,065	46,449
Share of results	1,408	1,882
Closing balance	<u>41,473</u>	<u>48,331</u>
Associate		
Opening balance	61,472	–
Share of results	(1,655)	–
Closing balance	<u>59,817</u>	<u>–</u>

10. Deferred Income Tax Assets and Liabilities

Movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Deferred income tax assets <i>RMB'000</i>	Deferred income tax liabilities <i>RMB'000</i>
As at January 1, 2017	<u>193,404</u>	<u>80,408</u>
Recognised in the consolidated income statement	(1,306)	4,351
As at June 30, 2017	<u>192,098</u>	<u>84,759</u>
As at January 1, 2016	<u>204,649</u>	<u>92,583</u>
Recognised in the consolidated income statement	3,059	2,017
As at June 30, 2016	<u>207,708</u>	<u>94,600</u>

Section IX Financial Report

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

11. Trade and Other Receivables

	As at June 30, 2017 RMB'000	As at June 30, 2016 RMB'000
Trade receivables due from third parties <i>(Note(a))</i>:		
Notes receivables	1,151,706	871,598
Trade receivables	3,031,681	3,536,762
Less: provision for impairment	(17)	–
Trade receivables – net	4,183,370	4,408,360
Other receivables due from third parties		
Other receivables	121,919	95,775
Less: provision for impairment	–	–
Other receivables – net	121,919	95,775
Amount due from related parties <i>(Note 24(c))</i>:		
Trade receivables	85,399	99,581
Other receivables	57,397	3,154
	<u>142,796</u>	<u>102,735</u>
Others:		
Prepayments	171,934	150,957
Prepaid current income tax and value-added tax recoverable and refundable	150,834	194,490
	<u>322,768</u>	<u>345,447</u>
Trade and other receivables	4,770,853	4,952,317
Less: Non-current portion of prepaid income tax and value-added tax recoverable and refundable	(56)	(290)
Trade and other receivables – net	<u>4,770,797</u>	<u>4,952,027</u>

Section IX Financial Report

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

11. Trade and Other Receivables (Continued)

- (a) Trade receivables, including notes receivables and trade receivables, are arising from sales of products. The credit period granted to customers is ranging from 1 month to 4 months. No interest is charged on the overdue trade receivables. The ageing analysis of trade receivables based on invoice date before provision for impairment as at June 30, 2017 and December 31, 2016 was as follows:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Trade receivables – gross		
– Within 3 months	3,746,759	4,108,067
– 3 to 6 months	406,941	265,927
– 6 to 12 months	24,497	22,239
– Over 1 year	5,190	12,127
	<u>4,183,387</u>	<u>4,408,360</u>

12. Share Capital

	Number of A shares Thousands	Number of H shares Thousands	A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total share capital RMB'000
Ordinary shares, issued and fully paid:					
As at January 1, 2016 and June 30, 2016	<u>2,002,986</u>	<u>505,632</u>	<u>2,002,986</u>	<u>505,632</u>	<u>2,508,618</u>
As at January 1, 2017 and June 30, 2017	<u>2,002,986</u>	<u>505,632</u>	<u>2,002,986</u>	<u>505,632</u>	<u>2,508,618</u>

13. Share Premium and Other Reserves

	Share premium RMB'000	Statutory reserves RMB'000	Other reserves Foreign currency translation differences RMB'000	Capital reserve RMB'000	Total other reserves RMB'000
As at January 1, 2017	6,202,553	1,634,320	91,038	26,200	1,751,558
Foreign currency translation differences	–	–	(100,711)	–	(100,711)
As at June 30, 2017	<u>6,202,553</u>	<u>1,634,320</u>	<u>(9,673)</u>	<u>26,200</u>	<u>1,650,847</u>
As at January 1, 2016	<u>6,202,553</u>	<u>1,343,079</u>	<u>(271,367)</u>	<u>26,379</u>	<u>1,098,091</u>
Foreign currency translation differences	–	–	94,904	–	94,904
As at June 30, 2016	<u>6,202,553</u>	<u>1,343,079</u>	<u>(176,463)</u>	<u>26,379</u>	<u>1,192,995</u>

Section IX Financial Report

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

14. Borrowings

	As at June 30, 2017 <i>RMB'000</i>	As at December 31, 2016 <i>RMB'000</i>
Non-current	1,633,623	1,573,531
Current	7,610,956	5,671,642
Total borrowings	<u>9,244,579</u>	<u>7,245,173</u>

Movement in borrowings is analysed as follows:

	Six-month period ended June 30, 2017 <i>RMB'000</i>
Opening net book amount as at January 1, 2017	<u>7,245,173</u>
Additions	5,859,132
Deduction	(3,859,726)
Closing net book amount as at June 30, 2017	<u>9,244,579</u>
	Six-month period ended June 30, 2016 <i>RMB'000</i>
Opening net book amount as at January 1, 2016	<u>4,719,051</u>
Additions	6,032,227
Deduction	(2,898,286)
Closing net book amount as at June 30, 2016	<u>7,852,992</u>

15. Deferred Income on Government Grants

	As at June 30, 2017 <i>RMB'000</i>	As at December 31, 2016 <i>RMB'000</i>
Current portion	20,127	19,905
Non-current portion	457,762	461,923
Total	<u>477,889</u>	<u>481,828</u>

Section IX Financial Report

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

15. Deferred Income on Government Grants (Continued)

	For the period ended June 30,	
	2017 RMB'000	2016 RMB'000
At beginning of the period	481,828	386,987
Government grants received during the year ⁽¹⁾	7,912	6,500
Credited to the consolidated income statement	(11,177)	(7,943)
Currency translation differences	(674)	632
	<hr/>	<hr/>
At end of the period	477,889	386,176

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

16. Trade and Other Payables

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
	Payables to third parties	1,068,753
Notes payable	778,408	613,982
Payables for purchasing of property, plant and equipment	328,195	415,374
Staff salaries payables	267,346	420,292
Accrued taxes other than income tax	119,358	123,283
Interest payables	34,560	15,286
Amount due to related parties (Note 24(c))	24,789	39,213
Advance from customers	21,986	21,436
Other payables and accruals	548,682	655,922
	<hr/>	<hr/>
Total	3,192,077	3,585,112

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

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
	Within 3 months	1,483,874
3 to 6 months	339,392	177,867
6 to 12 months	14,695	22,224
over 1 year	9,200	24,624
	<hr/>	<hr/>
Total	1,847,161	1,894,306

Section IX Financial Report

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

17. Revenue and cost of sales

	For the period ended June 30,			
	2017		2016	
	Revenue <i>RMB'000</i>	Cost of sales <i>RMB'000</i>	Revenue <i>RMB'000</i>	Cost of sales <i>RMB'000</i>
Automobile glasses	8,429,486	5,316,671	7,403,403	4,658,169
Float glasses	1,177,318	765,442	1,203,431	857,350
Others	256,539	133,991	185,002	72,195
Sub-total	9,863,343	6,216,104	8,791,836	5,587,714
Less: Intra-group sales	(1,149,380)	(1,149,380)	(1,207,411)	(1,207,411)
	8,713,963	5,066,724	7,584,425	4,380,303

18. Other Gains/(Losses) – Net

	For the period ended June 30,	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Exchange gains/(losses) – net	(171,155)	203,920
Donation	(139)	(177)
Loss on disposal of property, plant and equipment ⁽¹⁾	(15,277)	(4,999)
Gains on disposal of land use rights ⁽¹⁾	6,749	–
Changes in fair value of the derivative financial instruments	(28,985)	(201)
Gain on disposal of subsidiaries	–	184
Others	14,413	1,132
	(194,394)	199,859

- (1) Accumulated gains on disposal of properties were RMB8,717,000 for the period ended June 30, 2017, for details, please see “(X) Material disposal of assets and equities” in “I. Management Discussion and Analysis” of “Section IV Management Discussion and Analysis”.

Section IX Financial Report

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

19. Operating Profit

	For the period ended June 30,	
	2017 RMB'000	2016 RMB'000
The following items have been charged to the operating profit during the period:		
Employee benefit expenses	1,593,011	1,339,133
Depreciation of property, plant and equipment (Note 6)	660,017	576,775
Transportation and storage expenses	244,286	185,564
Packing expenses	153,471	150,082
Amortisation of leasehold land and land use rights (Note 7)	11,824	12,085
Amortisation of intangible assets (Note 8)	10,851	8,793
Write-down inventories to net realisable value	2,389	5,231

20. Income Tax Expense

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

	For the period ended June 30,	
	2017 RMB'000	2016 RMB'000
Current income tax	296,040	322,781
Deferred income tax (Note 10)	5,657	(1,042)
Income tax expense	301,697	321,739

a) PRC corporate income tax

The corporate income tax is calculated based on the statutory profit of subsidiaries incorporated in the PRC 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.

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.

Section IX Financial Report

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

20. 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 Relevant Periods.

c) North American profits tax

North American profits tax has been provided for at the rates between 34% and 40% on the estimated assessable profits during the Relevant Periods.

d) Russian profits tax

Russian profits tax has been provided for at the rate of 20% on the estimated assessable profits during the Relevant Periods.

e) German profits tax

German profits tax has been provided for at the rate of 30% on the estimated assessable profits during the Relevant Periods.

The tax on the Group's profit before income tax differs from the theoretical amount that could arise from using the statutory tax rates of 11% to 40% applicable as follows:

	For the period ended June 30,	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit before tax	1,686,213	1,778,917
Tax calculated at the applicable income tax rate	405,049	447,841
Tax effect of:		
Expenses not deductible for tax purpose	598	178
Income not subject to income tax	(79)	(1,882)
Preferential income tax rate	(195,473)	(186,314)
Unrecognised tax losses carried forward	121,994	88,192
Utilisation of previously unrecognised tax losses	(4,269)	(3,596)
Withholding taxation on unremitted earnings of certain subsidiaries	3,330	1,850
Others	(29,453)	(24,530)
Income tax expense	301,697	321,739

Section IX Financial Report

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

21. Earnings per Share

- (1) Basic earnings per share is calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the relevant years.

	For the period ended June 30,	
	2017	2016
Net profit attributable to the equity holders of the Company <i>(RMB'000)</i>	1,386,031	1,456,476
Weighted average number of ordinary shares in issue <i>(thousand)</i>	2,508,618	2,508,618
Basic earnings per share <i>(RMB)</i>	0.55	0.58

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

22. Dividends

	For the period ended June 30,	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Dividends proposed by the Company	—	—

For the six-month period ended June 30, 2017 and 2016, no interim dividend of corresponding period was proposed by the directors of the Company.

Section IX Financial Report

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

23. Commitments

a) Capital commitments

As at June 30, 2017 and December 31, 2016, capital expenditure contracted for but not yet performed is as follows:

	As at June 30, 2017 <i>RMB'000</i>	As at December 31, 2016 <i>RMB'000</i>
Property, plant and equipment	1,532,260	1,313,311

b) Operating lease

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 June 30, 2017 <i>RMB'000</i>	As at December 31, 2016 <i>RMB'000</i>
No later than 1 year	21,572	21,217
Later than 1 year and no later than 2 year	10,786	21,217
Later than 2 year and no later than 5 year	—	—
	<u>32,358</u>	<u>42,434</u>

Section IX Financial Report

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

24. Related Party Transactions

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business and balances arising from related party transactions during the period ended June 30, 2017 and 2016:

a) Name of and relationship with related parties

Name of related parties	Relationship
Mr. Cho Tak Wong (曹德旺)	Single largest shareholder
Fujian Yaohua Industrial Village Development Co., Ltd.(福建省耀華工業村開發有限公司)	Controlled by Mr. Cho Tak Wong and 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. (鴻橋海外有限公司)	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 controlled entity of the Group
Hubei Jierui Automotive Glass Co., Ltd. (湖北捷瑞汽車玻璃有限公司)	Controlled by the former 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 former senior management of the Group
Jinken Glass Industry Shuangliao Co., Ltd. 金壘玻璃工業雙遼有限公司	An entity over which the Group has significant influence
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
Fujian Triplex Auto Decoration Co., Ltd. (福建三鋒汽車飾件有限公司)	Controlled by the director of the Group
Fujian Triplex Holdings Group Co., Ltd. (福建三鋒控股集團有限公司)	Controlled by the director of the Group
Fujian Triplex Auto Services Co., Ltd. (福建三鋒汽車服務有限公司)	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

Section IX Financial Report

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

24. Related Party Transactions *(Continued)*

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

Continuing transactions

i. Sales of goods

	For the period ended June 30,	
	2017	2016
	RMB'000	RMB'000
Fujian Triplex Auto Services Co., Ltd.*	178,322	100,622
Fujian Triplex Auto Decoration Co., Ltd.*	7,359	1,286
Tri-Wall Packaging (Fuzhou) Co., Ltd.	1,496	1,455
Fuzhou Fuyao Mold Technology Co., Ltd.*	94	111
Hubei Jierui Automotive Glass Co., Ltd.*	—	4,161
Hunan Jierui Automotive Glass Co., Ltd.*	—	1,075
Fujian Triplex Machinery Technology Co., Ltd.*	—	76
	<u>187,271</u>	<u>108,786</u>

ii. Purchase of goods

	For the period ended June 30,	
	2017	2016
	RMB'000	RMB'000
Fuzhou Fuyao Mold Technology Co., Ltd.*	74,484	40,088
Tri-Wall Packaging (Fuzhou) Co., Ltd.	42,768	52,002
Fujian Triplex Auto Decoration Co., Ltd.*	26,203	6,524
Jinken Glass Industry Shuangliao Co., Ltd.	1,675	—
Fujian Triplex Machinery Technology Co., Ltd.*	—	45,789
	<u>145,130</u>	<u>144,403</u>

Section IX Financial Report

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

24. Related Party Transactions *(Continued)*

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

Continuing transactions *(Continued)*

iii. Rental income

	For the period ended June 30,	
	2017 RMB'000	2016 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	60	–
Fujian Triplex Machinery Technology Co., Ltd.*	–	817
Fujian Triplex Auto Decoration Co., Ltd.*	–	711
	<u>60</u>	<u>1,528</u>

iv. Rental expenses

	For the period ended June 30,	
	2017 RMB'000	2016 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.	<u>10,486</u>	<u>10,603</u>

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.

v. Disposal of assets

	For the period ended June 30,	
	2017 RMB'000	2016 RMB'000
Fujian Triplex Automotive Decoration Co., Ltd.*	<u>29,864</u>	–

Note: For details, please see “(II) Connected transactions in relation to acquisition and disposal of assets or equities” in “X. Substantial Connected Transactions” of “Section V Significant Events”.

Section IX Financial Report

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

24. Related Party Transactions *(Continued)*

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

Continuing transactions *(Continued)*

vi. Key management compensation

	For the period ended June 30,	
	2017 RMB'000	2016 RMB'000
Salaries, wages and bonuses	17,831	19,104
Pension, housing fund, medical insurance and other social insurance	443	328
Others	365	131
	<u>18,639</u>	<u>19,563</u>

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 based on invoice date:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Trade receivables <i>(i)</i>	85,399	99,581
Other receivables <i>(ii)</i>	57,397	3,154
Prepayments <i>(iii)</i>	151	5,425
	<u>142,947</u>	<u>108,160</u>

Section IX Financial Report

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

24. Related Party Transactions *(Continued)*

(c) Balances with related parties: *(Continued)*

(i) Trade receivables:

	As at June 30, 2017 <i>RMB'000</i>	As at December 31, 2016 <i>RMB'000</i>
Fujian Triplex Auto Services Co., Ltd.	85,389	99,581
Fujian Triplex Automotive Decoration Co., Ltd.	10	—
	<u>85,399</u>	<u>99,581</u>

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

	As at June 30, 2017 <i>RMB'000</i>	As at December 31, 2016 <i>RMB'000</i>
Within 3 months	<u>85,399</u>	<u>99,581</u>

(ii) Other receivables:

	As at June 30, 2017 <i>RMB'000</i>	As at December 31, 2016 <i>RMB'000</i>
Jinken Glass Industry (Shuangliao) Co., Ltd.	51,423	—
Fujian Triplex Automotive Decoration Co., Ltd.	5,656	1,929
Tri-Wall Packaging (Fuzhou) Co., Ltd.	291	290
Fuzhou Fuyao Mold Technology Co., Ltd.	27	23
Fujian Triplex Machinery Technology Co., Ltd.	—	912
	<u>57,397</u>	<u>3,154</u>

Section IX Financial Report

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

24. Related Party Transactions *(Continued)*

(c) Balances with related parties: *(Continued)*

(iii) Prepayment:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	151	5
Fujian Triplex Machinery Technology Co., Ltd.	—	5,420
	<u>151</u>	<u>5,425</u>

Amount due to related parties:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Trade payables <i>(iv)</i>	13,425	19,896
Other payables <i>(v)</i>	11,364	19,317
	<u>24,789</u>	<u>39,213</u>

(iv) Trade payables:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Fujian Triplex Automotive Decoration Co., Ltd.	6,798	8,324
Fujian Triplex Machinery Technology Co., Ltd.	—	9,958
Tri-Wall Packaging (Fuzhou) Co., Ltd.	4,395	1,165
Jinken Glass Industry (Shuangliao) Co., Ltd.	1,653	401
Fuzhou Fuyao Mold Technology Co., Ltd.	579	48
	<u>13,425</u>	<u>19,896</u>

Section IX Financial Report

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

24. Related Party Transactions *(Continued)*

(c) Balances with related parties: *(Continued)*

(iv) Trade payables: *(Continued)*

Ageing analysis of trade payables due to related parties based on invoice date are as follows:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Within 3 months	13,125	19,406
3 to 6 months	254	436
6 to 12 months	46	54
	<u>13,425</u>	<u>19,896</u>

(v) Other payables to related parties:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Fuzhou Fuyao Mold Technology Co., Ltd.	8,920	8,675
Fujian Triplex Automotive Decoration Co., Ltd.	2,081	330
Fujian Triplex Machinery Technology Co., Ltd.	363	1,999
Tri-Wall Packaging (Fuzhou) Co., Ltd.	–	9
Jinken Glass Industry (Shuangliao) Co., Ltd.	–	8,304
	<u>11,364</u>	<u>19,317</u>