



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

2021

INTERIM REPORT



IMPORTANT NOTICE

- I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management members of the Company warrant that the content of this interim report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.
- II. All the directors of the Company have attended the Board meeting.
- III. In this interim report, the financial data for the six months ended June 30, 2020 and the six months ended June 30, 2021 are unaudited, but the data for the year ended December 31, 2020 have been audited.
- IV. Cho Tak Wong, the person-in-charge of the Company, Chen Xiangming, the person-in-charge of accounting and Qiu Yongnian, the head of the accounting department (the person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this interim report.
- V. Plan for profit distribution or conversion of capital reserves into share capital as approved by the Board by way of resolution during the Reporting Period

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

- VI. Risks disclaimer of the forward-looking statements

The forward-looking statements in this report such as future plans and development strategies do not constitute an actual commitment of the Company to investors. Investors and people concerned should keep sufficient risk awareness in this regard and understand the difference among plans, predictions and commitments. Investors should be aware of the investment risks.

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

No

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

No

- IX. Whether more than half of the directors are unable to provide assurance as to the truthfulness, accuracy and completeness of the interim report disclosed by the Company

No

- X. Material risk alert

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

Contents

Section I	Definitions	2
Section II	Corporate Profile and Principal Financial Indicators	3
Section III	Management Discussion and Analysis	8
Section IV	Corporate Governance	29
Section V	Environmental and Social Responsibility	33
Section VI	Significant Events	41
Section VII	Changes in Shares and Information of Shareholders	49
Section VIII	Relevant Information on Bonds	57
Section IX	Financial Report	63



Section I Definitions

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

DEFINITIONS OF COMMON TERMS

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, the Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group, the Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors	the board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
RMB, RMB1,000, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 1,000 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, the lawful currency in circulation in the PRC
PVB	polyvinyl butyral
OEM, ancillary business	automotive glass and services used in new vehicles of automobile factories
ARG, spare parts and component business	used in aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
laminated glass	automotive safety glass made by two or more than two layers of automobile 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	for the six months from January 1, 2021 to June 30, 2021

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

III. CHANGES IN BASIC INFORMATION

Registered address of the Company	Fuyao Industrial Zone, Rongqiao Economic & Technological Development Zone, Fuqing City, Fujian Province
Historical changes in the registered address of the Company	Nil
Office address of the Company	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Postal code of the office address of the Company	350301
Website of the Company	http://www.fuyaogroup.com
E-mail	600660@fuyaogroup.com
Query index of changes during the Reporting Period	For details, please refer to the Announcement on Completion of Placing of Overseas Listed Foreign Shares (H Shares) of Fuyao Glass Industry Group Co., Ltd. dated May 11, 2021 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (http://www.sse.com.cn) and the Completion of Placing of New H Shares under Specific Mandate dated May 10, 2021 as published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)
Principle 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. CHANGES IN INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

V. INFORMATION ON THE COMPANY'S SHARES

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

VI. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Principal accounting data

Unit: '000 Currency: RMB

Principal accounting data	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)	Increase/decrease of the Reporting Period as compared with the corresponding period last year (%)
Revenue	11,543,168	8,121,267	42.14
Profit for the Reporting Period attributable to owners of the Company	1,768,984	963,679	83.57
Profit for the Reporting Period attributable to owners of the Company, net of non-recurring profit or loss	1,661,741	792,106	109.79
Net cash generated from operating activities	3,164,756	1,174,734	169.40

Section II Corporate Profile and Principal Financial Indicators

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

(I) Principal accounting data (Continued)

	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 (%)
Equity attributable to owners of the Company	24,966,205	21,606,224	15.55
Total assets	44,334,538	38,435,332	15.35

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

(II) Principal financial indicators

Principal financial indicators	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)	Increase/decrease of the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	0.70	0.38	84.21
Diluted earnings per share (RMB/share)	0.70	0.38	84.21
Return on equity (%)	7.09	4.70	2.39

Section II Corporate Profile and Principal Financial Indicators

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

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

Unit: '000 Currency: RMB

	Profit for the Reporting Period attributable to owners of the Company		Equity attributable to owners of the Company	
	Amount for the Reporting Period (Unaudited)	Amount for the corresponding period of previous year (Unaudited)	Amount at the end of the Reporting Period (Unaudited)	Amount at the beginning of the Reporting Period (Audited)
Prepared in accordance with the China Accounting Standards for Business Enterprises	1,769,247	963,967	24,954,762	21,594,518
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	-263	-288	11,443	11,706
Prepared in accordance with the International Financial Reporting Standards	1,768,984	963,679	24,966,205	21,606,224

Section II Corporate Profile and Principal Financial Indicators

VII. DISCREPANCIES IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS (CONTINUED)

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

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

VIII. 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	January – June 2021 (Unaudited)
Profit or loss from disposal of non-current assets	-27,131,339
Government subsidies recorded under current profit or loss, other than those closely related to the normal business operation of the Company and subject to a fixed amount or quantity under certain standard required by national policies	100,458,819
Capital occupancy fee from non-financial enterprises recognized through profit or loss	16,117,950
Profit or loss from changes in fair value of held-for-trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment gains from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's rights investments, other than effective hedging activities related to normal business operations of the Company	27,308,442
Other non-operating income and expenses other than the above items	14,943,595
Impact on non-controlling interests	142,970
Effects of income tax	-24,334,311
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Total	107,506,126
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Section III Management Discussion and Analysis

I. INDUSTRY OVERVIEW AND PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(I) Principal business and business model

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

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

Unit: '000 Currency: RMB

Product	Revenue	Cost of sales	Gross profit margin (%)	Change in revenue as compared with corresponding period last year (%)	Change in cost of sales as compared with corresponding period last year (%)	Change in gross profit margin as compared with corresponding period last year (%)
Automotive glass	10,366,890	6,837,628	34.04	42.02	37.26	2.28
Float glass	1,936,210	1,140,898	41.08	50.16	35.49	6.39
Others	986,203	724,052				
Less: Intragroup elimination	(1,746,135)	(1,746,135)				
Total	11,543,168	6,956,443	39.74	42.14	30.92	5.17

(II) Industry Overview

According to the statistics released by the China Association of Automobile Manufacturers, the automobile production and sales volume in January to June 2021 amounted to 12,569,000 units and 12,891,000 units, representing year-on-year increases of 24.2% and 25.6%, respectively. In particular, the production and sales volume of passenger vehicles were 9,840,000 units and 10,007,000 units, representing year-on-year increases of 26.8% and 27.0%, respectively. As of 2020, China has ranked first in the world for twelve consecutive years in terms of production volume and sales volume and the compound growth rate of China's automobile production volume is 3.28% from 2010 to 2020.

For the automobile industry, in the short term, the automobile market is recovering, but on an unstable foundation. On the one hand, all countries are implementing pandemic prevention measures, however, the mutation of the virus has resulted in repeated outbreaks of the pandemic, leading to the increasing instabilities in the global automobile supply chain, and the lurk of uncertainties in the automotive market; on the other hand, with the domestic pandemic prevention and control situation gradually improving, the national and local governments have introduced and implemented various policies to promote automobile consumption, such as relaxing purchase restrictions and increasing quotas, extending subsidies and tax incentives for purchase of new energy vehicles and launching the plans of "Automobiles Go to Countryside" and "Trade-ins" to speed up the recovery of automobile market.

Section III Management Discussion and Analysis

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

(II) Industry Overview (Continued)

In the global automobile industrial structure, the proportion of developing countries in the automobile industry has been increasing, resulting in greater influence; In respect of automobile ownership, there is still a tremendous gap between China and developed countries. In 2020, the automobile ownership per 100 population reached over 80 units, approximately 50 to 60 units and approximately 20 units in the US, Europe and Japan, and China, respectively. Along with the development of China's economy, the ongoing urbanization, the growth of residents' income and spending power, and the improvement of road infrastructure, the potential automobile consumption demand in China is still huge. From the perspective of international horizontal comparison in terms of GDP per capita and automobile ownership, there is still growth potential in China's automobile market and great room for development in the industry that provides accessories for the automobile industry in the medium and long term.

The automobile industry has now entered a new stage of development characterized by diversified demands and an optimized structure. The automobile is developing towards the trend of "being electric connecting to network, being intelligent and sharing with others" (new four modernizations), and more and more new technologies are also integrated into automotive glass. It puts forward new requirements for automotive glass and also provides new opportunities for the development of the automotive glass industry. With the application of new technology, the automotive glass has developed towards "safety and comfort, energy conservation and environmental friendliness, beautiful appearance, and intelligence and integration" with constantly increasing added value. The industry-leading position of Fuyao in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

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

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

II. ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

Section III Management Discussion and Analysis

III. DISCUSSION AND ANALYSIS OF OPERATION

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

In the first half year of 2021, the global economic recovery was obvious, but there were still some uncertainties such as the rebound of the pandemic which has not been fully under control, global inflationary pressure brought up by quantitative easing policy and geopolitical risks. Time is needed for global economy to resume growth. The year 2021 is the opening year of the 14th Five-Year Plan. The investment in China's manufacturing industry continues to restore, with growth space for industrial development. According to the statistics released by the China Association of Automobile Manufacturers, the automobile production volume in 2021 from January to June was 12,569,000 units, representing a year on-year increase of 24.2%, among which, the production volume of passenger vehicles was 9,840,000 units, representing a year-on-year increase of 26.8%.

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB11,543,168,000, representing an increase of 42.14% as compared with the corresponding period last year; realized profit before tax of RMB2,075,647,000, representing an increase of 77.71% as compared with the corresponding period last year; realized profit for the Reporting Period attributable to owners of the Company of RMB1,768,984,000, representing an increase of 83.57% as compared with the corresponding period last year; and realized earnings per share of RMB0.70, representing an increase of 84.21% as compared with the corresponding period last year.

In particular, during the Reporting Period, the foreign exchange loss of the Company amounted to RMB172,059,000 as compared with foreign exchange gain of RMB127,840,000 for the corresponding period last year, and representing an increase of 116.10% in profit before tax for the Reporting Period as compared with the corresponding period last year in case of eliminating the effects of the foreign exchange loss and gain.

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

Section III Management Discussion and Analysis

III. DISCUSSION AND ANALYSIS OF OPERATION (CONTINUED)

1. Improved the competitiveness of the Company in automotive glass market and its anti-risk ability: the Company has been adhering to the positive marketing strategy of customer orientation and perfect user experience, continued to give play to the leading role of sales and improved the market sensitiveness, to strengthen the ability to secure orders by means of business model, technology promotion and strategic cooperation. Thanks to the above measures, the operating revenue of automotive glass was better than that of the automobile industry, our market share was further increased and our ability to resist market risks was enhanced.
2. Promoted the appreciation and upgrading of products: the Company continued to promote the development of automotive glass toward the direction of "safety and comfort, energy conservation and environmental friendliness, beautiful appearance, and intelligence and integration". The proportion of high value-added products, such as car's skylight, dimmable, head-up display, thermal insulation, sound insulation, ultraviolet-proof, water proof, enveloping edge modularization products, continued to increase, representing an increase of 1.54 percentage point as compared with same period last year, reflecting the value.
3. Increased the depth and breadth of improving the quality and benefits: the Company focused on first pass yield, continued to promote the programmatic, standardized and normalized production, continued to promote lean management and automatization and informationization process, implemented comprehensive cost control measures to promote the improvement of quality and efficiency in the whole industry chain, save energy, reduce costs, and enhance its anti-risk ability in the post-pandemic era.
4. Took a lead in R&D innovation and technology: the Company kept pace with the trend of electric-powered, networking, intelligence and sharing platform in automobile industry, based on which, the Company promoted technology application in automotive glass. It adhered to the market- and product-oriented R&D mechanism, and also strengthened the training of new technical personnel and increased the development and promotion of new products.
5. Management advancement: the Company continuously improved the standardization of rules and regulations to enhance organizational effectiveness and the ability to create value; continuously standardized meeting management, implemented discussion in meeting and scientific decision-making and enhanced the decision-making capability, motivation, synergy and sense of discipline of the organization.

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

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

Section III Management Discussion and Analysis

IV. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

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

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the same period last year	Percentage Change (%)
Revenue	11,543,168	8,121,267	42.14
Cost of sales	6,956,443	5,313,644	30.92
Distribution costs	867,662	612,505	41.66
Administrative expenses	1,036,222	996,502	3.99
Finance costs - net	74,618	22,293	234.71
Research and development expenses	472,079	329,042	43.47
Net cash generated from operating activities	3,164,756	1,174,734	169.40
Net cash used in investing activities	-636,893	-1,816,282	-64.93
Net cash generated from financing activities	3,960,133	3,911,634	1.24

Reason for change in revenue: the increase in revenue was mainly due to the recovery of the automobile market and the enhanced marketing efforts of the Company.

Reason for change in cost of sales: the increase in cost of sales was mainly due to the change in line with the increase in revenue and the growth rate of cost of sales lower than that of revenue due to the effective control of cost.

Reason for change in distribution costs: the increase in distribution costs was mainly due to the corresponding increase in the freight, packaging expenses and other expenses related to revenue resulting from the increase in revenue.

Reason for change in administrative expenses: the change in administrative expenses was mainly due to the increase in staff salaries, but the total administrative expenses increased slightly despite of the decrease in expenses of repair, depreciation and amortisation.

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

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

Reason for change in net cash generated from operating activities: the increase in net cash generated from operating activities was mainly due to the year-on-year increases in revenue and profits.

Reason for change in net cash used in investing activities: the decrease in net cash used in investing activities was mainly due to the net outflow of RMB1,269 million from the purchase of structured deposits in the corresponding period of the previous year, as compared with the net inflow of RMB329 million during the Reporting Period.

Reason for change in net cash generated from financing activities: the main change in net cash generated from financing activities was the net proceeds from the placing of additional H shares of RMB3,579 million during the Reporting Period, as compared to the issuance of medium-term notes and ultra short-term financing bonds with a total amount of RMB2,700 million in the corresponding period of the previous year.

Section III Management Discussion and Analysis

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

(II) Analysis on assets and liabilities

1. Assets and Liabilities

Unit: '000 Currency: RMB

Item	Closing balance	The percentage of closing balance to the total assets (%)	Closing balance of the previous period	The percentage of closing balance of the previous period to the total assets (%)	Change in the closing balance as compared with the closing balance of the previous period (%)	Explanations
Other non-current assets	317,754	0.72	-	0.00	100.00	The increase in other non-current assets was due to the fact that the Board of the Company considered and approved the extension of the time for payment to not later than June 30, 2024 in respect of the acceptance by Taiyuan Jinnuo Industrial Co., Ltd. of transfer of 24% equity interest in Beijing Futong, as a result, the carrying value of it was accounted as "other non-current assets".
Derivative financial instruments – Current assets	2,354	0.01	-	0.00	100.00	The increase in derivative financial instruments – current assets was mainly due to the fact that the unsettled currency swap contracts during the Reporting Period were estimated as unrealised gains as a result of movements in foreign exchange rates.
Financial assets at fair value through profit or loss	-	0.00	300,288	0.78	-100.00	The decrease in financial assets at fair value through profit or loss was mainly due to the fact that the structured deposits with principal guaranteed held as at the end of the previous year were due for settlement in the Reporting Period.
Cash and cash equivalents	15,224,484	34.34	8,807,952	22.92	72.85	The increase in cash and cash equivalents was mainly due to the net proceeds from the placing of additional H shares of RMB3,579 million and the increase in net cash flow from operating activities in the Reporting Period.
Share premium	9,680,403	21.83	6,202,553	16.14	56.07	The increase in share premium was due to the premiums resulting from the issuance of additional H shares in the Reporting Period.
Non-controlling interests	-5,850	-0.01	-3,610	-0.01	62.05	The change of non-controlling interests was mainly due to the change in profit or loss of non-wholly owned subsidiaries during the period.
Derivative financial instruments – Current liabilities	4,625	0.01	795	0.00	481.76	The increase in derivative financial instruments – current liabilities was due to the increase in short call on foreign exchange transacted in the Reporting Period.

Section III Management Discussion and Analysis

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

(II) Analysis on assets and liabilities (Continued)

2. Overseas Assets

(1) Size of assets

Including: overseas assets of RMB17,577 million, accounting for 39.65% of the total assets.

(2) Details of overseas assets

The overseas assets are the assets in the account of the overseas subsidiaries which are established and controlled by the Company and the deposits of the parent company which are deposited in Hong Kong and denominated in foreign currencies. In particular, the total assets of Fuyao Glass America Inc., an overseas subsidiary (including 100%-controlled Fuyao Glass Illinois Inc. and Fuyao Asset Management C, LLC), amounted to RMB5,537 million as at June 30, 2021, with the revenue amounting to RMB1,918 million and profits amounting to RMB132 million for the period from January to June 2021.

3. Details of charge on assets

As at 30 June 2021, lands and buildings erected thereon with book value of RMB18,592,000 (original value: RMB33,119,000) were pledged as security for the credit facilities of HK\$30 million.

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

(1) Number of employees: as at the end of the Reporting Period, the number of employees of the Company was 25,759, representing a decrease of 112 employees as compared with that at the end of 2020.

(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.

Section III Management Discussion and Analysis

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

(II) Analysis on assets and liabilities (Continued)

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

- (3) Training plans: according to the Group's strategic plan and annual operating policy and plan, the Company made training plans. The Group provides orientation training and on-the-job education for the growth of the employees, of which the orientation training covers subjects such as corporate culture and policies, work ethic and quality, major products and business, production process, quality management and occupational safety. The on-the-job education covers environment, health and safety management systems and mandatory training required by the applicable laws and regulations as well as the special training for personnel at various levels and in all professions. In order to meet the needs of its strategic plan, the Group held various training projects for management cadres at all levels, key business and technical staff and business backbones of all functions and high potential talents, including training camp on management in the age of digitalization, in-service cadres cultivation project, reserve cadres cultivation project, key technical talents cultivation project and lean leading expert training projects, and simultaneously developed micro class, micro course, live class and other forms of learning resources by way of online channels to further improve the training and talents development system, to secure talents for the steady and healthy operation and transformation and upgrading of the Group, thereby promoting the high-quality development of the Group.

Section III Management Discussion and Analysis

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

(III) Liquidity and source of capital

1. Cash flows

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the same period last year
Net cash generated from operating activities	3,164,756	1,174,734
Net cash used in investing activities	-636,893	-1,816,282
Net cash generated from financing activities	3,960,133	3,911,634
Net increase in cash and cash equivalents	6,487,996	3,270,086

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB3,165 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB12,322 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB6,102 million, cash paid to and paid on behalf of employees amounted to RMB2,214 million, and payment for various taxes amounted to RMB1,007 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 RMB637 million. In particular, cash paid for purchase and construction of property, plant and equipment and other long-term assets amounted to RMB1,093 million.
- (3) During the Reporting Period, net cash generated from financing activities amounted to RMB3,960 million, of which, net proceeds from the placing of additional H shares amounted to RMB3,579 million, net cash received from bank borrowings amounted to RMB5,579 million, cash used for repayment of debts amounted to RMB3,905 million; cash payment of dividend distribution and interest amounted to RMB1,206 million.
- (4) The Company will further strengthen and promote management system with intensive capital and budget, strictly control the exchange risks and optimize the capital structure to enhance the security and effectiveness of capital management and ensure the maximization of capital efficiency.

Section III Management Discussion and Analysis

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

(III) Liquidity and source of capital (Continued)

2. Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other transformation and upgrading expenditures. During the Reporting Period, RMB1,093 million in cash was paid for purchase and construction of property, plant and equipment and other long-term assets. In particular, capital expenditure of float glass project of the Company amounted to approximately RMB130 million, capital expenditure of Suzhou automotive glass project amounted to approximately RMB106 million, and capital expenditure of Guangzhou automotive glass project amounted to approximately RMB98 million.

3. Borrowings

During the Reporting Period, the new bank borrowings amounted to RMB4,980 million; new ultra short-term bonds amounted to RMB600 million, repayment of bank borrowings amounted to RMB3,605 million; and repayment of ultra short-term bonds amounted to RMB300 million. The Company did not utilize any financial instrument for hedging. As of June 30, 2021, interest-bearing debts are set out as follows:

Unit: 100 million Currency: RMB

Type	Amount
Short-term borrowings with fixed interest rates	73.21
Long-term borrowings with fixed interest rates due within one year	0.10
Long-term borrowings with fixed interest rates	18.23
Long-term borrowings with floating interest rates	5.00
Medium-term notes	12.00
Ultra short-term financing bonds	6.00
Total	<u>114.54</u>

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

Section III Management Discussion and Analysis

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

(III) Liquidity and source of capital (Continued)

4. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is situated within the PRC and is denominated in Renminbi. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar). The finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent. As such, the Group may avoid foreign exchange risks by ways of intensifying internationalized development; reasonably matching the size of foreign currency assets and liabilities with the expansion of overseas operations; optimizing the currencies in settlement of operations; matching the revenue with expenses in the same currency; and adopting appropriate exchange instruments such as locking the exchange rate and entering into forward foreign exchange contracts, currency swap contracts or foreign currency option contracts. During the Reporting Period, foreign exchange losses of the Group amounted to RMB172 million, as compared with foreign exchange gains of RMB128 million for the corresponding period of last year.

(IV) Capital efficiency

Inventory turnover period during the Reporting Period was 89 days as compared with 118 days of the corresponding period of last year, among which, inventory turnover period for automotive glass was 60 days as compared with 81 days of the corresponding period last year; inventory turnover period for float glass was 135 days as compared with 216 days of the corresponding period last year.

The turnover period of the trade receivables (including the notes receivable presented at fair value through other comprehensive income) during the Reporting Period was 80 days, as compared with 94 days of the corresponding period last year.

During the Reporting Period, the return on equity was 7.09% as compared with 4.70% of the corresponding period last year, which was mainly due to the year-on-year increase in net profit during the Reporting Period.

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

Unit: '000 Currency: RMB

	As at June 30, 2021	As at December 31, 2020
Total borrowings	11,481,194	9,829,723
Lease liabilities	524,534	600,277
Long-term payables	72,437	79,485
Less: Cash and cash equivalents	-15,224,484	-8,807,952
Net debts	-3,146,319	1,701,533
Total equity	24,960,355	21,602,614
Total capital	21,814,036	23,304,147
Gearing ratio (%)	-14.42%	7.30%

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

Section III Management Discussion and Analysis

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

(V) Commitments

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

(VI) Contingent liabilities

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

(VII) Outlook of the Company for the Second Half of 2021

In the second half of 2021, global economic uncertainties will remain, and the Company will closely follow the Group’s business strategy and carry out the following major tasks:

1. To continue to give play to the leading role of sales, provide total solutions for customers, strengthen the overall synergy of new technology products, and improve the “one-stop” process of marketing, design, R&D and mass production.
2. To adhere to the market-and product-oriented R&D mechanism, increase the development and promotion of new products, improve the process and incentive mechanism of management innovation and technological innovation, and promote Fuyao to upgrade from a manufacturing enterprise to a technology-based enterprise.
3. To improve the quality and efficiency, increase the first-pass yield, improve the utilization rate of the assets and equipment, and also implement comprehensive cost control measures to save energy, reduce costs and enhance the anti-risk ability of the enterprise in the post-pandemic era.
4. To continuously improve various rules and regulations, strengthen the Company’s internal technology protection, strengthen safety and environmental protection, and continuously enhance internal control to promote the sustainable and healthy development of the enterprise.
5. To continue to carry forward the core values of “diligence, simplicity, learning and innovation”, improve Fuyao’s cultural ecology, promote the “happiness project” for the staff, and implement the optimization of human resource system to maintain Fuyao’s comprehensive competitiveness.

Section III Management Discussion and Analysis

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

(VIII) Utilization of the Proceeds from H Share Offering

Upon approval by the CSRC, as evidenced by the Reply on the Approval for the Issuance of Additional Overseas Listed Foreign Shares by Fuyao Glass Industry Group Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1495), the Company completed the issuance of 101,126,000 additional overseas listed foreign shares (H shares) at a placing price of HK\$42.90 per share on May 10, 2021. After deducting underwriting fees and other issuance expenses (translated based on the exchange rate announced by the People's Bank of China on May 10, 2021 (Stock Delivery Date)), the net proceeds from the placing amounted to HK\$4,312.78 million. As at June 30, 2021, the proceeds raised from H share offering by the Company have not been used, details of which are as follows:

Unit: HK\$ million

Proposed use of the proceeds	Planned use of the net proceeds	Utilized net proceeds	Unutilized net proceeds as at June 30, 2021	Expected timeline of use of the proceeds
Replenishment of working capital and optimization of the capital structure of the Group	2,587.67	–	2,587.67	From the second half of 2021 to 2022
Repayment of interest-bearing debts	646.92	–	646.92	From the second half of 2021 to 2022
Investment in R&D projects	646.92	–	646.92	From the second half of 2021 to 2022
Expansion of photovoltaic glass market and general corporate use	431.27	–	431.27	From the second half of 2021 to 2022
Total	4,312.78	–	4,312.78	

Section III Management Discussion and Analysis

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

(IX) Analysis of Investment

1. Overall analysis on external investment in equity interest

Fuyao Tongliao Silicon Industry Co., Ltd. (福耀通遼矽業有限公司) was established by the Company on March 31, 2021 with a registered capital of RMB100 million. The Company holds 100% equity interest in Fuyao Tongliao Silicon Industry Co., Ltd., which is principally engaged in the mining, processing and distribution of silica sand, and the production and sale of glass sand, casting materials, water filtering materials, refractory raw materials and others.

The Company's external investments in the corresponding period last year: the Company invested additional €65 million in Fuyao (Hong Kong) Co., Ltd. to replenish the liquidity of FYSAM Auto Decorative GmbH (FYSAM汽車飾件有限公司).

(1) Financial assets at fair value

Unit: Yuan Currency: RMB

Items	Opening balance	Closing balance	Changes in the Reporting Period	Impacted amounts on current profits
Forward foreign exchange contracts	–	11,165	11,165	11,165
Currency swap contract	-795,244		795,244	22,349,332
Short call on foreign exchange		-4,625,000	-4,625,000	–
Structural deposits	300,287,671	–	-300,287,671	4,947,945
Equity in unlisted companies at fair value through other comprehensive income	58,000,000	69,320,755	11,320,755	–
Notes receivable at fair value through other comprehensive income	1,301,612,117	1,071,391,619	-230,220,498	-9,963,505
Total	1,659,104,544	1,136,098,539	-523,006,005	17,344,937

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

Section III Management Discussion and Analysis

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

(X) Material disposal of assets and equities

In order to further optimize and adjust its asset structure, increase the liquidity of assets and improve the utilization efficiency of its assets, the Company, based on its strategic development plan, entered into the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司) with Taiyuan Jinnuo Investment Co., Ltd. (太原金諾投資有限公司) (now renamed as Taiyuan Jinnuo Industry Co., Ltd. (太原金諾實業有限公司), hereinafter referred to as “Taiyuan Jinnuo”) on June 28, 2018, pursuant to which the Company agreed to transfer its 75% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. (“Beijing Futong”) to Taiyuan Jinnuo at a total consideration of RMB1,004.45 million, of which, 51% equity interest in Beijing Futong was priced at RMB683.05 million. The Company received the first tranche of transfer payment of RMB663 million and the second tranche of transfer payment of RMB20.05 million on June 28, 2018 and July 4, 2018, respectively. Meanwhile, it assisted Taiyuan Jinnuo in completing the registration procedures for the change of ownership of the above-mentioned 51% equity interest. Taiyuan Jinnuo should make the transfer payment of RMB321.40 million for the remaining 24% equity interest in Beijing Futong to the bank account designated by the Company in one lump through bank wire before December 31, 2018. The Company has recognized investment gains of RMB664,032,500 from the transfer of the equity interest in Beijing Futong and recorded an increase of RMB682,452,200 in cash inflow in 2018.

Taiyuan Jinnuo has made many requests to the Company for deferred payments. On May 28, 2021, the Company received the application for deferred payments and interest rate reduction of Taiyuan Jinnuo. Taiyuan Jinnuo applied to extend the payment date of the transfer payment for the remaining 24% equity interest in Beijing Futong for three years due to its financial strain. Meanwhile, it applied to adjust the annual interest rate of interest on the transfer payment of equity interest to 3.85% with effect from 1 July 2021. As considered and approved at the fifth meeting of the tenth session of the Board of Directors of the Company on June 17, 2021, the Board of Directors of the Company agreed that Taiyuan Jinnuo shall pay the transfer payment for the remaining 24% equity interest in Beijing Futong before June 30, 2024. Meanwhile, it was agreed that Taiyuan Jinnuo paid interest to the Company at 3.85% per annum of the loan prime rate (LPR) authorized by the People's Bank of China from July 1, 2021, based on the remaining 24% equity interest in Beijing Futong.

Section III Management Discussion and Analysis

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

(X) Material disposal of assets and equities (Continued)

Please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on the Disposal of 75% Equity Interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated June 29, 2018, the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated December 25, 2018, the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement (II) to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated August 29, 2019, the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement (III) to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated June 6, 2020 and the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement (IV) to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated June 18, 2021 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>) as well as the announcements titled Discloseable Transaction – Disposal of 75% Equity Interest in Beijing Futong dated June 29, 2018, Discloseable Transaction – Entering into the Supplemental Agreement on the Disposal of 75% Equity Interest in Beijing Futong dated December 25, 2018, Discloseable Transaction – Entering into the Supplemental Agreement (II) on the Disposal of 75% Equity Interest in Beijing Futong dated August 29, 2019, Discloseable Transaction – Entering into the Supplemental Agreement (III) on the Disposal of 75% Equity Interest in Beijing Futong dated June 6, 2020 and Discloseable Transaction – Entering into the Supplemental Agreement (IV) on the Disposal of 75% Equity Interest in Beijing Futong dated June 18, 2021 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.

Section III Management Discussion and Analysis

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

(XI) Analysis of major subsidiaries and investee companies

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

Company	Business nature	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Fujian Wanda Automobile Glass Industry Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	74,514.95	282,615.18	143,631.68	118,787.82	29,769.88	28,788.59
Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司)	Manufacturing enterprise	Production and sale of float glass and relevant glass products	50,000	125,340.43	81,736.63	55,564.04	28,239.72	24,564.61
Tianjin Hongde Auto Glass Co., Ltd. (天津弘德汽車玻璃有限公司)	Manufacturing enterprise	Production, design, technical research and development and sale of automotive glass and components and parts	40,000	191,570.31	69,543.81	96,250.36	21,967.63	19,268.54
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	330,000,000 (USD)	553,742.91	75,897.18	191,798.26	18,175.69	13,227.23

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

V. OTHER DISCLOSURES

(I) Potential risks

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

The changes in the economic, political, social conditions and laws, including sanctions by other countries, stricter environmental laws and regulations, natural disasters, decrease in sales to OEM customers, repeated outbreaks of the pandemic, the mutation of the virus, will have impacts on the operating results, financial conditions and prospects of the Company. In addition, most assets of the Company are located in the PRC and more than half of its revenue is derived from the businesses carried out in the PRC, so the fact that Chinese economy are in the stage of transformation and upgrading may also affect the Company's businesses in the PRC. Hence, the Company will enhance the innovation on technology, enhance the organization management, build new culture of Fuyao, strengthen the aftersales maintenance market, and consolidate and ensure stable and healthy development of the PRC market while taking advantage of globalized operation.

2. Risks of the industry development

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

Section III Management Discussion and Analysis

V. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

3. Risks associated with market competition

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

4. Risks associated with cost fluctuations

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

- (1) sort out key material suppliers and develop cooperative partnership with them; set up a sound mechanism for rating and incentives of suppliers, and give incentives to outstanding suppliers; set up an iron-triangle management mechanism for suppliers of key materials and import of materials, focusing on areas such as procurement, technique and quality.
- (2) enhance the research on the price trend of raw materials and make purchases in a timely manner; expand supply channel to ensure a stable and effective supply.

Section III Management Discussion and Analysis

V. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

4. Risks associated with cost fluctuations (Continued)

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

5. Risks associated with exchange rate fluctuations

China has reformed the RMB exchange rate mechanism on the principles of voluntarism, gradualism and controllability and pursues a managed floating exchange rate regime that is based on market supply and demand and with reference to a basket of currencies. Although the underlying cause of imbalances in international trade lies in the issues behind the economic structure of certain countries, fluctuations in exchange rates will take place alongside the fluctuations in the global economy, turbulence in certain countries, growing tension in certain key areas, and the tightening and easing of monetary policies by different countries. Given that the export-oriented business has been close to 50% and keeps growing every year, a significant fluctuation in exchange rates will affect the results of the Company. In this regard, (1) the finance department of the headquarters of the Group will strengthen the supervision on the scale of foreign currency transactions as well as foreign currency assets and liabilities of the Group, and manage the potential fluctuations in exchange rates possibly by optimizing the settlement currency of export trades and utilizing exchange rate financial instruments and other proactive preventive measures; (2) the Company will strengthen customer loyalty and inspire their confidence in placing orders through building plants in the Europe and the US and conducting production and sale in those regions while avoiding risks arising from the fluctuations in exchange rates and keeping the risks under control.

Section III Management Discussion and Analysis

V. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

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

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

7. Cyber risk and security

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

Section III Management Discussion and Analysis

V. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

8. Information swindle and theft

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

9. Environmental and social risks

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

Section IV Corporate Governance

I. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of publication of resolution(s)	Date of publication of resolution(s)	Meeting resolution(s)
2021 First Extraordinary General Meeting	January 15, 2021	http://www.sse.com.cn http://www.hkexnews.hk	January 16, 2021	All resolutions were considered and approved
2021 Second Extraordinary General Meeting, 2021 First A Share Class Meeting and 2021 First H Share Class Meeting	February 26, 2021	http://www.sse.com.cn http://www.hkexnews.hk	February 27, 2021	All resolutions were considered and approved
2020 Annual General Meeting	June 17, 2021	http://www.sse.com.cn http://www.hkexnews.hk	June 18, 2021	All resolutions were considered and approved

Information on the general meeting

The 2021 First Extraordinary General Meeting was convened on January 15, 2021 by way of physical meeting in combination with online voting. All resolutions were considered and approved at the meeting by the shareholders attending the meeting by way of voting. For details, please refer to the Announcement on Resolutions of the 2021 First Extraordinary General Meeting of Fuyao Glass Industry Group Co., Ltd. dated January 16, 2021 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>) and the Poll Results of the 2021 First Extraordinary General Meeting published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

The 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting were convened on February 26, 2021 by way of physical meeting in combination with online voting. All resolutions were considered and approved at the meetings by the shareholders attending the meetings by way of voting. For details, please refer to the Announcement on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting of Fuyao Glass Industry Group Co., Ltd. dated February 27, 2021 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>) and the Poll Results of the 2021 Second Extraordinary General Meeting and the 2021 First A Share and H Share Class Meetings published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

The 2020 Annual General Meeting was convened on June 17, 2021 by way of physical meeting in combination with online voting. All resolutions were considered and approved at the meeting by the shareholders attending the meeting by way of voting. For details, please refer to the Announcement on Resolutions of the 2020 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd. dated June 18, 2021 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>) and the Poll Results of the 2020 Annual General Meeting published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Section IV Corporate Governance

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

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

III. CORPORATE GOVERNANCE

(I) Corporate Governance Overview

1. Corporate Governance Code

The Company is committed to maintaining a high level of corporate governance in order to increase the shareholders' value and safeguard the interests of the shareholders. The Company has formulated a modernized corporate governance structure and established general meetings, the Board of Directors, the Board of Supervisors, special committees of the Board of Directors and senior management with reference to the Company Law of the People's Republic of 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. Meanwhile, to the knowledge of the Company, there's no incident of non-compliance of the Model Code by the employees during the Reporting Period.

3. Independent non-executive directors

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

Section IV Corporate Governance

III. CORPORATE GOVERNANCE (CONTINUED)

(II) Special committees of the Board of Directors

1. Audit Committee

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

2. Remuneration and Assessment Committee

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

Section IV Corporate Governance

III. CORPORATE GOVERNANCE (CONTINUED)

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

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. Cheung Kit Man Alison, an independent non-executive director, and the other members are Mr. Liu Jing, an independent non-executive director, and Mr. Tso Fai, an executive director and the vice chairman of the Board of Directors of the Company. The terms of reference of the nomination committee are available on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

4. Strategy and Development Committee

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

(III) Significant matters

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

Save for the ultra short-term financing bonds issued by the Company during the Reporting Period, which are disclosed in "16. Borrowings" of "Section IX Financial Report" and the placing of H shares, which is disclosed in the "14. Share Capital" of "Section IX Financial Report" in this interim report, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, disposed of or redeemed any listed securities of the Company.

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

The audit committee under the Board of Directors has reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Company for the six months ended June 30, 2021 and has discussed with the senior management of the Company on such matters as the accounting policies and practices adopted by the Company.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION

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

1. Information on pollutant discharging

Chongqing Wansheng Float Glass Co., Ltd. (a wholly-owned subsidiary of the Company, 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 has two automotive grade float glass production lines, one of which was shut down in 2019 due to cold repair. As at the end of the Reporting Period, Chongqing Float Glass had a total of one automobile grade float glass production line which was under normal production and used natural gas as the production fuel. The exhaust gas produced in the natural gas burning will be discharged through 100m chimneys to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO₂ and NO_x. Chongqing Float Glass implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

The waste gas produced by the two production lines of Chongqing Float Glass is respectively discharged through two high chimneys, of which No. DA012 waste gas discharge outlet is not used due to the shutdown of the production line for furnace cold repair in the first half of 2021, so there is no flue gas emission. The measured concentration of No. DA001 special pollutants including smoke, SO₂ and NO_x in the first half of 2021 were 8.79mg/m³, 154.76mg/m³ and 302.32mg/m³, respectively, and the total emission quantity of such pollutants were 1.82 tons, 32.01 tons and 62.8 tons, respectively; while the total permitted emission quantities were 40.664 tons/year, 325.311 tons/year and 569.295 tons/year, respectively. The above emission concentrations are lower than the national emission standards, and the total emission quantity is lower than the total amount verified by the environmental protection authority.

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

2. Construction and operation of pollution prevention and control facilities

The two production lines of Chongqing Float Glass use natural gas as the production fuel and are supported by two sets of dust removal and denitration environmental protection facilities and an online flue monitoring system, which are connected to the environmental protection authority for real-time data transmission. At present, save for the facilities in relation to the production line which was shut down for cold repair, all facilities are under normal operation.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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

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

4. Contingency plan for environmental emergencies

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

5. Environmental self-monitoring program

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

6. Other environmental information that should be disclosed

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

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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

(1) Float glass business division

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

Fuqing Float has three automotive grade float glass production lines, one of which was shut down in 2019 for water discharge, as at the end of the Reporting Period, two automobile grade float glass production lines are under production. Tongliao Float and Benxi Float each has two automotive grade float glass production lines under production. All the three companies take the natural gas as the production fuel. The exhaust gas produced in the natural gas burning will be discharged through 100 m chimneys to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO₂ and NO_x. Fuqing Float implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

Fuqing Float has constructed three sets of dust removal and denitration facilities, Tongliao Float has built two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration and Benxi Float has built two sets of kiln gas dust removal and denitration facilities adopting an integrated facilities for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter), each with a designed treatment capacity of 100,000 m³/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000m³/hour to 80,000 m³/hour.

(2) Automotive glass business division

The production lines of the Company's automotive glass business division are mainly for production of laminated glass (for windshield), tempered glass (for rear windows), tempered glass (for side windows) and encapsulated glass. The specific pollutants include waste gases, mainly including toluene, xylene and non-methane hydrocarbon; production wastewater, mainly including COD, BOD₅, ammonia nitrogen and SS; domestic sewage; hazardous wastes including fluorescent tube, waste engine oil, waste screen fluid, empty silver paste box, empty ink box, empty Rubstick barrels and cloth with ink oil and silver paste; general industrial solid waste including glass leftover materials, waste rubber rings and sludge from the waste water treatment station; domestic waste; and noise.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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

(2) Automotive glass business division (Continued)

For the above-mentioned pollutants, the Company mainly adopts the following methods for treatment: waste gases shall be collected through the establishment of a unified waste gas collection devices, and then purified by catalytic oxidation, activated carbon adsorption and through water spray treatment equipment, and finally discharged via the 15m exhaust funnel in a compliant manner. Production wastewater shall be recycled through the establishment of a reclaimed water reuse treatment system, which uses the processes of sedimentation + flocculation and flotation + sand filtration and carbon filtration, and thus waste water shall be reused and less waste water will be discharged. The wastewater after being treated by the reclaimed water reuse treatment system shall satisfy the emission standard and be led to the municipal sewer network. Domestic sewage shall be emitted to the municipal sewer network after being treated in the septic tank of each business division. Hazardous wastes in solid wastes from each business division shall be collected by their production department according to different classes, managed by the production planning division, and disposed of in a reasonable and compliant manner by the qualified units entrusted in accordance with the hazardous waste disposal plan. For general industrial solid waste, waste rubber rings are recycled by manufacturers, and the glass leftover materials are recycled by Fuyao Group for production in float glass production lines. Sludge and domestic waste from the waste water treatment station is entrusted to the environmental sanitation department for daily centralized clean, transportation and treatment. The noise from the plant is reduced through measures such as the selection and purchase of low-noise equipment, installation of anti-vibration pad, workshop noise insulation and noise elimination.

The verification and monitoring data of the environmental protection authority indicate that the emission concentrations of the specific pollutants including waste gases and waste water generated by the automotive glass business division of the Company are lower than national emission standards and the total emission amount thereof is also lower than that verified by the environmental protection authority. Hazardous wastes are all treated in compliance with the requirements. Workshop noise is lower than that stipulated by the environmental protection authority.

(3) Aluminum accessories business division

The Company's aluminum accessories business division is mainly engaged in the design, development, production and manufacture of aluminum alloy parts and other auto part products. Its main products mainly include aluminum and magnesium alloy automobile bright trims, luggage racks, edging strips, brackets, etc. The specific pollutants are waste gases mainly including xylene and non-methane hydrocarbon, smoke, SO₂ and NO_x; production wastewater mainly including COD, ammonia nitrogen, SS, petroleum, LAS, aluminum, nickel, total phosphorus, fluoride; domestic sewage; hazardous wastes: waste aluminum chips, waste electrolytic polishing liquid, waste degreasing fluid, waste packing barrel, waste activated carbon, waste resin, etc.; general industrial solid wastes: domestic waste, and sludge from the biochemical sedimentation tank; and noise.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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

(3) Aluminum accessories business division (Continued)

For the above-mentioned pollutants, the Company mainly adopts the following methods for treatment: waste gases and polishing dust are treated with a vertical cyclone water film dust collector, and acidic exhaust gas is treated with the acid mist treatment method featuring a combination of the covering method and the absorption method. Paint and mist from the gas spray room is treated by a water curtain paint & mist removal device, activated carbon and a catalytic combustion device and then discharged outside through a 15m high exhaust funnel after satisfying the standard. Organic waste gas from the paint spray room, the paint mixing room and the curing system is treated by an activated carbon and a desorption catalytic combustion device and discharged outside through a 15m high exhaust funnel after satisfying the standard. As to wastewater, nickel-containing wastewater is collected and disposed separately, and treated by a multi-stage chemical reaction + coagulant + precipitation process. After being filtered by ion exchange resin, the tail water is reused and not discharged. Other production wastewater is separated and collected by quality and category, and then discharged into a comprehensive wastewater treatment station for treatment after pretreatment, and discharged into a sewage treatment plant after reaching the treatment standard. Hazardous waste from each business division shall be collected by their production department according to different classes, managed by the production planning division on a unified basis, and disposed of in a reasonable and compliant manner by the qualified units entrusted in accordance with the hazardous waste disposal plan. General industrial solid domestic waste and sludge from the biochemical sedimentation tank are entrusted and transported to the environmental sanitation department for clean, transportation and treatment. As to noise, it is controlled through the optimal selection of equipment and the adoption of effective sound insulation, shock absorption and other comprehensive noise reduction measures and reasonable layout of the plant area.

The verification and monitoring data of the environmental protection authority indicate that the emission concentrations of the specific pollutants including waste gases and waste water generated by the aluminum accessories business division of the Company are lower than national emission standards and the total emission amount thereof is also lower than that verified by the environmental protection authority. Hazardous wastes are all treated in compliance with the requirements. Workshop noise is lower than that stipulated by the environmental protection authority.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

1. Through the core system smart energy platform of the Fuyao energy system, various functions can be achieved including online monitoring of power data, maximum demand management and energy optimization and management, which is conducive to optimization of resource allocation, reasonable utilization of energy, environment improvement, construction of a resource-saving enterprise and implementation of clean production.
2. The Company has successively established an energy management project under the distributed photovoltaic power generation contract in eight subsidiaries including Fuqing Float and Zhengzhou Fuyao Glass Co., Ltd., Tianjin Hongde Auto Glass Co., Ltd. and Fuyao Glass (Suzhou) Co., Ltd. for the purpose of utilizing renewable energy and reducing carbon dioxide emissions.
3. The Company advocates green production. The float glass business division uses natural gas as production fuel and has adopted an integrated desulfurization and denitrification technology for reducing pollutant emissions. Meanwhile, the Company has installed cogeneration facilities for recycling the waste heat in the smoke generated during production. Low temperature boilers have been employed to recycle the production vapor from the low temperature smoke after power generation for thermal insulation of the thermal insulation warehouse in the plants, air conditioning in the offices and plants, and water heating in the living areas.
4. The Company constantly optimizes its production techniques, improves the rate of finished products and reduces energy consumption. For instance, the comprehensive rate of finished products of coated skylight glass has been improved by using special tools for hot bending and loading, upgrading the coupling and initial pressuring lines and other means; the rate of finished products of semi-tempered laminated glass has been enhanced by optimizing the edge-snapping procedures, adjusting the cutting position for glass splitting and other means.
5. The Company continues to conduct research and development and innovation, produce green products, such as coated glass, solar energy skylight glass, ultra-thin glass, panoramic sunroof glass, etc., and create value while reducing energy consumption.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

1. The accumulated electric energy production of Fuyao Group generated from the roof distributed photovoltaic output in the first half of 2021 is 32.61 million kWh, thus lowering the energy consumption by 4,008 tons of standard coal and reducing the carbon dioxide emissions by 24,539 tons.
2. Fuyao Group fully considered factors such as waste heat generated from production lines and site layout based on the existing production scale and technical conditions, built low-temperature waste heat power station by taking advantage of waster heat resources from production line of glass furnace. The accumulated electric energy production of Fuyao Group in 2021 is 23.68 million kWh, thus lowering the energy consumption by 2,910 tons of standard coal and reducing the carbon dioxide emissions by 17,819 tons.
3. The air compressor system of Fujian Wanda Automobile Glass Industry Co., Ltd. (“Fuqing Automotive Glass”) suffered from many problems before transformation, such as aging of units, high energy consumption, unreasonable layout of pipe networks, failure of unified adjustment and control, and difficulties in waste heat recovery due to scattered units. Fuqing Automotive Glass replaced the existing scattered screw units with efficient and energy-saving centrifugal air compressors to achieve centralized management; the main pipe between the branch networks of each factory was optimized to reduce energy losses in the pipeline; and hot water generated from waste heat recovery was used for pretreatment washing machine. 4 million kWh of power will be saved per year upon completion of the project, equivalent to saving 492 tons of standard coal and reducing 2,814 tons of carbon dioxide emissions per month.
4. As the air compressor system of Guangzhou Fuyao Glass Co., Ltd. (“Guangzhou Automotive Glass”) has been used for over 13 years, the energy efficiency of the units has been lowered considerably. The independent control of each unit also caused sharp pressure fluctuation of the pipe network of the air compressor and high energy consumption, which made the PPR pipe fittings used in the waste heat recovery device prone to potential safety hazards such as rupture and water leakage during waste heat recovery due to changes in pipe pressure and temperature. In order to meet the requirements for energy saving and efficiency increasing by Fuyao Group, Guangzhou Automotive Glass adopted a single high-efficiency and energy-saving centrifugal air compressor and phased out the existing scattered screw units for centralized management; and optimized high-pressure air pipeline to reduce energy losses in pipeline; and hot water generated from waste heat recovery was used for pretreatment washing machine. It is preliminarily estimated that the project will contribute to an annual electricity saving of approximately 3.8 million kWh, equivalent to saving 467 tons of standard coal and reducing 2,003 tons of carbon dioxide emissions per month.

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

5. The float glass business division took the following measures to reduce carbon dioxide emissions: (1) laying bricks on the melting furnace so as to enhance thermal insulation and, in turn, reduce consumption of natural gas; (2) eliminating the outdated motors, activating the dosing lighting system in sections, and achieving a linkage between the hydrogen production framework and the alkaline liquid pump equipment, so as to reduce power consumption.

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

According to the information provided by Heren Charitable Foundation, during the Reporting Period, Heren Charitable Foundation established by Mr. Cho Tak Wong by way of donation of his 300 million shares in Fuyao Glass, made a donation of RMB36,354,600, all of which were used for targeted poverty alleviation projects, comprising:

- Poverty alleviation on health: the expenditure of RMB30 million included the projects in respect of poverty alleviation on health in the “Three Regions and Three Prefectures (Aba, Ganzi and Liangshan)”.
- Poverty alleviation on education: the expenditure of RMB5.75 million included the financial assistance projects for needy students in Fujian Medical University and Northwest A&F University.
- Poverty alleviation on ecological protection: the expenditure of RMB54,600 was mainly used to carry out the pilot and research projects for the control and prevention of *Spartina alterniflora* Loisel.
- Other poverty alleviation: the expenditure of RMB550,000 was mainly used to finance projects such as conservation of ancient buildings.

Note: Heren Charitable Foundation is an independent charitable foundation that operates in accordance with the PRC laws and its articles of association. Mr. Cho Tak Wong and any person acting in concert with him, including Fujian Yaohua Industrial Village Development Co., Ltd., Sanyi Development Limited and Homekiu Overseas Holdings Limited, do not have any control over Heren Charitable Foundation, nor are they beneficiaries of Heren Charitable Foundation. Based on the above, Heren Charitable Foundation is independent from Mr. Cho Tak Wong and his associates.

Section VI Significant Events

I. PERFORMANCE OF UNDERTAKINGS

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

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly
Undertakings related to refinancing	Shares restriction	Mr. Cho Tak Wong and Sanyi Development Limited	During the period from the execution date of the agreement for additional issuance and placing of H shares (i.e. April 30, 2021) up to 90 days after the closing date (i.e. May 10, 2021), Mr. Cho Tak Wong and Sanyi Development Limited will not sell, transfer, dispose of, lend, pledge, or offer to sell, transfer, dispose of, lend, pledge, grant any option, right or warrant to purchase (either conditionally or unconditionally, or directly or indirectly, or otherwise) any shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any shares or interest therein. For the avoidance of doubt, the above undertaking shall not apply to the A shares held by Fujian Yaohua Industrial Village Development Co., Ltd.	Time of the undertaking: April 30, 2021, Term of performance of the undertaking: April 30, 2021 to August 8, 2021	Yes	Yes
Other undertakings	Dividend distribution	Fuyao Glass Industry Group Co., Ltd.	For details, please refer to the Dividend Distribution Plan of Fuyao Glass Industry Group Co., Ltd. for Shareholders for the Upcoming Three Years (2021-2023) dated June 18, 2021 as published on the Shanghai Securities News, the China Securities Journal and the Securities Times and the websites of the SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).	Date of announcement of the undertaking: June 18, 2021, Term of performance of the undertaking: January 1, 2021 to December 31, 2023	Yes	Yes

Section VI Significant Events

II. MATERIAL LITIGATION AND ARBITRATION

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

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

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

IV. SUBSTANTIAL CONNECTED TRANSACTIONS

(I) Connected transactions in relation to ordinary business operations

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

Description of the matter

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

Inquiry index

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

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Description of the matter

Inquiry index

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

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

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2021, the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2021 and the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Fuyao Group Beijing Futong Safety Glass Co., Ltd. for the Year 2021 were considered and approved at the seventeenth meeting of the ninth session of the Board of Directors of the Company convened on October 29, 2020.

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 30, 2020 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>).

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Connected transactions in relation to the daily operations in the first half of 2021 are as below (having been disclosed in interim announcements):

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Nature of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated amounts in 2021	Actual amounts in the first half of 2021	Percentage of amount of the same type of transactions (%)	Settlement method of the connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Purchase of goods	Procurement of raw and auxiliary materials	Market price	12,000.00	4,033.37	31.30	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Purchase of goods	Procurement of raw and auxiliary materials	Market price	25,000.00	8,852.68	68.70	60 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sale of goods	Sale of raw and auxiliary materials	Market price	20.00	0.00	0	
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of raw and auxiliary materials	Market price	500.00	215.76	100	Settlement in the corresponding month

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Connected party	Connected relationship	Nature of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated amounts in 2021	Actual amounts in the first half of 2021	Percentage of amount of the same type of transactions (%)	Settlement method of the connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	130.00	54.86	100	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Provision of labor services to connected persons	Provision of labor services	Agreed price	300.00	121.83	80.81	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Provision of labor services to connected persons	Provision of labor services	Market price	80.00	28.93	19.19	30 days upon the invoice date
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	Associate	Acceptance of labor services from connected persons	Product accessories installation service	Costs plus reasonable profit	600.00	291.88	100	Next month upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Acceptance of labor services from connected persons	Acceptance of labor services	Market price	5.00	0.00	0	
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflows	Revenue from iron stand leasing	Market price	50.00	3.44	100	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	2,882.70	1,425.46	58.03	Payment before June 30
Global Cosmos German Limited ^(Note)	Others	Other outflows	Leasehold property	Market price	2,453.29	1,030.79	41.97	Payment before June 30
Total					44,020.99	16,059		

Note: The estimated amount of property leasing in 2021 between the Company and Global Cosmos German Limited was €3,123,000 (tax inclusive, equivalent to RMB24,532,900), whereas the actual amount in the first half of 2021 was €1,312,200 (equivalent to RMB10,307,900), exclusive of tax of €249,300 (equivalent to RMB1,958,500).

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

2. Matters not disclosed in interim announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Amounts of the connected transaction	Percentage of amount of the same type of transactions (%)	Settlement method of connected transaction
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of equipment	Market price	68.03	100	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other outflows	Expenditures incurred for leasing of iron frames	Market price	8.10	100	30 days upon the invoice date
Total				/	76.13	/	

Note to the connected transaction

As the amounts of the transactions conducted between the Company and Jinken Glass Industry Shuangliao Co., Ltd. are relatively small, they are not required to be submitted to the Board of Directors of the Company for consideration and approval in accordance with the relevant provisions of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Articles of Association.

(II) Amounts due to or from connected parties

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

The Resolution in Relation to Provision of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and its Domestic Subsidiaries and the Resolution in Relation to Provision of Guarantees of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and the Connected Transactions were considered and approved at the twelfth meeting of the eighth session of the Board of Directors of the Company on February 24, 2017, and the Resolution in Relation to Provision of Guarantees of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and the Connected Transactions was considered and approved at the 2016 annual general meeting on April 26, 2017, which approved the Company and its domestic subsidiaries to grant a loan to Jinken Glass Industry Shuangliao Co., Ltd. (hereinafter referred to as "Jinken Glass"), with a limit of not more than RMB90,000,000, a term of not more than 24 months, and an interest rate not less than the benchmark interest rate of RMB loans offered by financial institutions as published by the People's Bank of China for the corresponding period; which approved the Company to provide a guarantee in respect of a loan borrowed by Jinken Glass from a financial institution, and the sum of the guaranteed amount and loan provided by the Company and its subsidiaries to Jinken Glass were not more than RMB190,000,000. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loans to Connected Parties and the Announcement of Fuyao Glass Industry Group Co., Ltd. on Related Guarantee dated February 25, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>).

Section VI Significant Events

IV. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

In order to speed up the progress of the project of Jinken Glass and enable it to provide the steady supply of raw materials to the Company as soon as possible, the Company adjusted the limit of loans granted by the Company and its subsidiaries in the PRC to Jinken Glass from not more than RMB90,000,000 to not more than RMB190,000,000, with a term of not more than 24 months and an interest rate not less than the benchmark interest rate of RMB loans offered by financial institutions as published by the People's Bank of China for the corresponding period. The relevant resolution had been considered and approved at the fifteenth meeting of the eighth session of the Board held on August 4, 2017. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loan to Connected Parties dated August 5, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (<http://www.sse.com.cn>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Before the expiry of loan term, Jinken Glass made a request to the Company for extending the term of the loans due to its financial constraints. On March 15, 2019, the Board of Directors of the Company agreed to extend the term of the above-mentioned related loans to August 15, 2021 upon consideration and approval at the ninth meeting of the ninth session of the Board of Directors of the Company.

In the first half of 2021, Jinken Glass made a request to the Company for extending the term of the loans and modifying interest rate of loans due to its financial constraints. Considering that Jinken Glass can provide a stable supply of raw materials for the Company in the future, on June 17, 2021, the Board of Directors of the Company agreed to extend the term of the above-mentioned related loans to August 31, 2023 upon consideration and approval at the fifth meeting of the tenth session of the Board of Directors of the Company, with an interest rate being fixed at 3.85%, the loan prime rate (LPR) published by the National Interbank Funding Centre as authorized by the People's Bank of China.

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Extension of the Repayment Term of Connected Loans dated March 16, 2019 and June 18, 2021 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (<http://www.sse.com.cn>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

As at the end of the Reporting Period, the loan balance of Jinken Glass was RMB151,600,000.

Section VI Significant Events

V. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

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

Unit: 0'000 Currency: RMB

Items	Amount for corresponding period last year
Total amount of the guarantees during the Reporting Period (excluding guarantees to subsidiaries)	0
Balance of the total amount of the guarantees at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	0
Guarantees of the Company to subsidiaries	
Total amount of the guarantees to subsidiaries during the Reporting Period	35,530.55
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	41,990.65
Total amount of guarantees of the Company (including guarantees to subsidiaries)	
Total amount of guarantees (A+B)	41,990.65
Total amount of guarantees as a percentage of the net assets of the Company (%)	1.68
Including:	
The amount of guarantees offered to the shareholders, de facto controller and connected parties (C)	0
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	0
The amount of guarantees in excess of 50% of net assets (E)	0
The sum of the three items above (C+D+E)	0

Explanation on guarantee

Foreign currencies are translated into RMB based on the exchange rates announced by the People's Bank of China on June 30, 2021

Section VII Changes in Shares and Information of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

Unit : Share

	Before this change		Increase/decrease after this change (+, -) Shares					After this change	
	Number	Percentage (%)	New shares issued	Bonus shares	Shares converted from reserves	Others	Sub-total	Number	Percentage (%)
I. Shares held with selling restrictions									
1. State-owned shares									
2. State-owned legal person shares									
3. Other shares held by domestic investors									
Including: Shares held by domestic non state-owned legal person									
Shares held by domestic natural person									
4. Shares held by foreign investors									
Including: Shares held by overseas legal person									
Shares held by overseas natural person									
II. Tradable shares held without selling restrictions	2,508,617,532	100	101,126,000				101,126,000	2,609,743,532	100
1. RMB ordinary shares	2,002,986,332	79.84						2,002,986,332	76.75
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	505,631,200	20.16	101,126,000				101,126,000	606,757,200	23.25
4. Others									
III. Total number of shares	2,508,617,532	100	101,126,000				101,126,000	2,609,743,532	100

Section VII Changes in Shares and Information of Shareholders

I. CHANGES IN SHARE CAPITAL (CONTINUED)

(I) Table of changes in shares (Continued)

2. Explanations on changes in shares

To result in a larger investor base of H shares of the Company and optimize its capital structure, etc., on February 26, 2021, the Company held the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting, at which the Resolution on the Plan for the Issuance of H Shares by the Company was considered and approved. On April 29, 2021, the Company received the Reply on the Approval for the Issuance of Additional Overseas Listed Foreign Shares by Fuyao Glass Industry Group Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1495). The Company was approved to issue not more than 101,126,240 additional overseas listed foreign shares. On May 10, 2021, 101,126,000 H shares were successfully allotted and issued by the Company with a par value of RMB1 each and at the placing price of HK\$42.90 per share, representing a discount of approximately 4.98% to the closing price of HK\$45.15 per share as quoted on the Stock Exchange on April 30, 2021, being the last trading day immediately prior to the date of the placing agreement. After deducting underwriting fees and other issuance expenses (translated into RMB based on the exchange rate announced by the People's Bank of China on May 10, 2021 (Stock Delivery Date)), the net proceeds from the placing were HK\$4,312.78 million, and the net issue price per placing share was approximately HK\$42.65. Upon completion of the placing, the total number of shares of the Company changed from 2,508,617,532 to 2,609,743,532.

For details, please refer to the Announcement on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting of Fuyao Glass Industry Group Co., Ltd., the Announcement in relation to Approval from the CSRC of the Application for the Issuance of Additional Overseas Listed Foreign Shares (H Shares) of Fuyao Glass Industry Group Co., Ltd., the Announcement on Completion of Placing of Overseas Listed Foreign Shares (H Shares) of Fuyao Glass Industry Group Co., Ltd. dated February 27, 2021, April 30, 2021 and May 11, 2021, respectively, published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the website of the SSE (<http://www.sse.com.cn>) and the Poll Results of the 2021 Second Extraordinary General Meeting and the 2021 First A Share and H Share Class Meetings, the Approval by the CSRC of the Application for the Proposed Issuance of Additional H Shares under Specific Mandate, the Placing of New H Shares under Specific Mandate, the Completion of Placing of New H Shares under Specific Mandate dated February 27, 2021, April 30, 2021, May 2, 2021 and May 10, 2021, respectively, published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) by the Company.

Section VII Changes in Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

As at June 30, 2021, total number of shareholders of the Company was 178,591, of which, 178,547 were holders of A shares and 44 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	178,591
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0

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

Unit: Share

Particulars of top 10 shareholders

Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Pledged, charged or moratorium Status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED <i>(Note)</i>	101,127,600	592,874,359	22.72		Unknown		Unknown
Sanyi Development Limited	0	390,578,816	14.97		Nil		Overseas legal person
Heren Charitable Foundation	-6,000,000	215,089,084	8.24		Nil		Domestic non state-owned legal person
Hong Kong Securities Clearing Company Limited	12,192,200	181,991,459	6.97		Unknown		Unknown
Bai Yongli	0	34,653,315	1.33		Unknown		Unknown
Agricultural Bank of China Co., Ltd. – E Fund Consumer Industry Equity Securities Investment Fund (易方達消費行業股票型證券投資基金)	6,305,884	33,359,677	1.28		Unknown		Unknown
China Securities Finance Corporation Limited	-10	28,095,485	1.08		Unknown		Unknown
Fujian Yaohua Industrial Village Development Co., Ltd.	-10,199,942	24,077,800	0.92		Pledged	24,000,000	Domestic non state-owned legal person
Li Haiqing	-10,100	21,922,059	0.84		Unknown		Unknown
Li Fuqing	0	20,561,966	0.79		Unknown		Unknown

Section VII Changes in Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

Unit: Share

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED <i>(Note)</i>	592,874,359	Overseas listed foreign shares	592,874,359
Sanyi Development Limited	390,578,816	Ordinary shares denominated in RMB	390,578,816
Heren Charitable Foundation	215,089,084	Ordinary shares denominated in RMB	215,089,084
Hong Kong Securities Clearing Company Limited	181,991,459	Ordinary shares denominated in RMB	181,991,459
Bai Yongli	34,653,315	Ordinary shares denominated in RMB	34,653,315
Agricultural Bank of China Co., Ltd. – E Fund Consumer Industry Equity Securities Investment Fund (易方達消費行業股票型證券投資基金)	33,359,677	Ordinary shares denominated in RMB	33,359,677
China Securities Finance Corporation Limited	28,095,485	Ordinary shares denominated in RMB	28,095,485
Fujian Yaohua Industrial Village Development Co., Ltd.	24,077,800	Ordinary shares denominated in RMB	24,077,800
Li Haiqing	21,922,059	Ordinary shares denominated in RMB	21,922,059
Li Fuqing	20,561,966	Ordinary shares denominated in RMB	20,561,966
Explanations on the repurchase special account among top 10 shareholders			Nil
Explanations on the voting rights entrusted by or to or waived by the above shareholders			Nil
Explanations on the connected relationship or parties acting in concert among the above shareholders	The de facto controllers of Sanyi Development Limited and Fujian Yaohua Industrial Village Development Co., Ltd. are members of the same family. Among the remaining 8 shareholders not subject to selling restrictions, it is uncertain whether there is any connected relationship among the shareholders and whether such shareholders are parties acting in concert which fall within the meaning under the Measures for the Administration of 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). Investors deposit the H shares held by themselves into the Central Clearing and Settlement System under the Hong Kong Stock Exchange and count them by the aggregate number of the shares registered under the name of HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司), a wholly-owned subsidiary member body of the Hong Kong Stock Exchange.

Section VII Changes in Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

As at June 30, 2021, the interests and short positions of directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, (a) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Hong Kong Listing Rules, were as follows:

Name	Capacity/nature of interest	Number of shares interested	Percentage of total issued share capital of the relevant class of shares ⁽³⁾ (%)	Percentage of total issued share capital of the Company ⁽³⁾ (%)	Class of shares
Cho Tak Wong (an executive director and the chairman) ⁽¹⁾	Beneficiary owner/interest of spouse/interest of controlled corporation	414,971,444(L)	20.72(L)	15.90(L)	A share
Tso Fai (an executive director and the vice chairman) ⁽²⁾	Interest of controlled corporation	12,086,605(L)	0.60(L)	0.46(L)	A share

Notes:

- (1) Mr. Cho Tak Wong directly holds 314,828 A shares (L) and indirectly holds 390,578,816 A shares (L) through Sanyi Development Limited. In addition, Mr. Cho Tak Wong is deemed to be interested in the 24,077,800 A shares (L) indirectly held by his spouse, Ms. Chan Fung Ying.
- (2) Mr. Tso Fai indirectly holds 12,086,605 A shares (L) through Homekiu Overseas Holdings Limited.
- (3) The percentage is calculated based on the number of the relevant class of issued shares or the total issued shares of the Company as at June 30, 2021.
- (4) (L) – long position.

Save as disclosed above, as at June 30, 2021, none of directors, supervisors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Section VII Changes in Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

As at June 30, 2021, the Company was notified of the following persons other than directors, supervisors or chief executive of the Company who had 5% or more interests or short positions in the issued shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of shares interested	Percentage of total issued share capital of the relevant class of shares ⁽³⁾ (%)	Percentage of total issued share capital of the Company ⁽³⁾ (%)	Class of shares
Chan Fung Ying ⁽¹⁾	Interest of spouse/ interest of controlled corporation	414,971,444(L)	20.72(L)	15.90(L)	A share
Sanyi Development Limited	Beneficial owner	390,578,816(L)	19.50(L)	14.97(L)	A share
Heren Charitable Foundation	Beneficial owner	215,089,084(L)	10.74(L)	8.24(L)	A share
Harding Loevner LP	Investment manager	36,075,100(L)	5.95(L)	1.38(L)	H share
JPMorgan Chase & Co. ⁽²⁾	Interest of controlled corporation/investment manager/secured equity holders/ approved lending agent	67,112,698(L) 541,993(S) 9,697,557(P)	11.06(L) 0.08(S) 1.59(P)	2.57(L) 0.02(S) 0.37(P)	H share

Notes:

- (1) Ms. Chan Fung Ying indirectly holds 24,077,800 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua"), of which, 24,000,000 A shares (L) were pledged. In addition, she was deemed to be interested in 390,893,644 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) JPMorgan Chase & Co. holds 67,112,698 H shares (L), 541,993 H shares (S) and 9,697,557 H shares (P) of the Company through several controlled entities, of which, 7,720 H shares (S) were related to the listed derivatives – cash settled, and 1,033,600 H shares (L) and 237,600 H shares (S) were related to the unlisted derivatives – cash settled.
- (3) The percentage is calculated based on the number of the relevant class of issued shares or the total issued shares of the Company as at June 30, 2021.
- (4) (L) – long position, (S) – short position, (P) – lending pool.

Save as disclosed above, as at June 30, 2021, no person had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Section VII Changes in Shares and Information of Shareholders

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: Share

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

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

Section VII Changes in Shares and Information of Shareholders

IV. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

1. Mr. Tso Fai, an executive director and the vice chairman of the Company, serves as an executive director and the general manager of Fujian Triplex Auto Parts Development Co., Ltd. (福建三鋒汽配開發有限公司) and Fujian Juhong Baina Technology Co., Ltd. (福建鉅鴻百納科技有限公司).
2. Mr. Wu Shinong, a non-executive director of the Company, was appointed as an independent non-executive director of Fujian Longking Co., Ltd. (福建龍淨環保股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600388) on December 30, 2020, and Guangdong Baolihua New Energy Stock Co., Ltd. (廣東寶麗華新能源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000690) on April 23, 2021, respectively.
3. Mr. Qu Wenzhou, an independent non-executive director of the Company, resigned as an independent non-executive director of Guangdong Baolihua New Energy Stock Co., Ltd. (廣東寶麗華新能源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000690) on April 23, 2021.

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

Section VIII Relevant Information on Bonds

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

(I) Debt Financing Instruments of Non-financial Enterprises in Inter-bank Bond Market

1. Basic information of debt financing instruments of non-financial enterprises

Unit: Yuan Currency: RMB

Name of bonds	Short name	Code	Issue date	Value date	Maturity date	Balance of bonds	Interest rate (%)	Payment of principal and interest	Trading place	Trading mechanism	Whether there is a risk of termination of listing for trading
First tranche of 2020 medium-term notes of Fuyao Glass Industry Group Co., Ltd. (pandemic prevention and control bonds)	20 Fuyao (pandemic prevention and control bonds) MTN001	102000118	February 13, 2020	February 17, 2020	February 17, 2023	600,000,000.00	3.19	Interest will be payable annually and the principal will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
Second tranche of 2020 medium-term notes of Fuyao Glass Industry Group Co., Ltd.	20 Fuyao Glass MTN002	102000763	April 20, 2020	April 22, 2020	April 22, 2023	600,000,000.00	2.75	Interest will be payable annually and the principal will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
First tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd. (high-growth bonds)	21 Fuyao Glass SCP001 (high-growth bonds)	012101570	April 19, 2021	April 21, 2021	July 21, 2021	300,000,000.00	2.68	Principal and interest will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
Second tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	21 Fuyao Glass SCP002	012102097	June 7, 2021	June 9, 2021	December 6, 2021	300,000,000.00	2.67	Principal and interest will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
Third tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	21 Fuyao Glass SCP003	012102532	July 13, 2021	July 14, 2021	January 7, 2022	200,000,000.00	2.65	Principal and interest will be repaid in a lump sum upon maturity	Inter-bank bond market	Listing for trading	No
Fourth tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	21 Fuyao Glass SCP004	012102597	July 15, 2021	July 19, 2021	December 17, 2021	400,000,000.00	2.60	Principal and interest will be repaid in a lump sum Upon maturity	Inter-bank bond market	Listing for trading	No

Section VIII Relevant Information on Bonds

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

(I) Debt Financing Instruments of Non-financial Enterprises in Inter-bank Bond Market (Continued)

2. Adjustment of credit rating results

According to the comprehensive assessment by China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司), the Company's corporate credit rating was rated as AAA and the credit ratings of 20 Fuyao (pandemic prevention and control bonds) MTN001, 20 Fuyao Glass MTN002, 21 Fuyao Glass SCP001 (high-growth bonds), 21 Fuyao Glass SCP002, 21 Fuyao Glass SCP003 and 21 Fuyao Glass SCP004 were rated as AAA, indicating that the Company had a strong ability to repay debts and minimal risk of default, and was less likely to be impacted by adverse economic environment.

On June 28, 2021, China Chengxin International Credit Rating Company Limited carried out a follow-up credit assessment of the afore-mentioned two tranches of medium-term notes. According to the final determination of the China Chengxin International Credit Rating Committee, the corporate credit rating of the Company remained as AAA. Due to stable prospects of the credit rating, the credit rating of the current corporate bonds remains as AAA.

For details of relevant follow-up rating report, please refer to the 2021 Follow-up Rating Report of Fuyao Glass Industry Group Co., Ltd. dated June 29, 2021 as published on the websites of China Money (<http://www.chinamoney.com.cn>) and Shanghai Clearing House (<http://www.shclearing.com>) and the same report dated June 28, 2021 as published on the official website of China Chengxin Securities Rating Co., Ltd. (<http://www.ccxr.com.cn>).

Section VIII Relevant Information on Bonds

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

(I) Debt Financing Instruments of Non-financial Enterprises in Inter-bank Bond Market (Continued)

3. Implementation of and changes in guarantee, debt repayment plan and other repayment assurance measures during the Reporting Period and their impacts

(1) Guarantee

There was no guarantee involved in the debt financing instruments issued by the Company in the inter-bank bond market.

(2) Implementation of debt repayment plan of debt financing instruments

After the issuance of the debt financing instruments by the Company in the inter-bank bond market, the Company further strengthened the operation management and fund management according to the debt structure, and guaranteed sufficient funds were prepared promptly for the payment of annual interest and matured principal, so as to fully protect the interests of qualified investors.

During the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB11,543,168,000, representing an increase of 42.14% as compared with the corresponding period last year; realized profit before tax of RMB2,075,647,000, representing an increase of 77.71% as compared with the corresponding period last year; realized profit for the Reporting Period attributable to owners of the Company of RMB1,768,984,000, representing an increase of 83.57% as compared with the corresponding period last year; and realized earnings per share of RMB0.70, representing an increase of 84.21% as compared with the corresponding period last year.

In particular, the Company realized foreign exchange loss of RMB172,059,000 during the Reporting Period in contrast to the foreign exchange gain of RMB127,840,000 in the corresponding period last year. If the foreign exchange loss and gain were excluded, the profit before tax during the Reporting Period increased by 116.10% as compared with the corresponding period last year.

During the Reporting Period, the net cash generated from operating activities of the Company amounted to RMB3,164,756,000, representing a year-on-year increase of 169.40%.

Section VIII Relevant Information on Bonds

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

(I) Debt Financing Instruments of Non-financial Enterprises in Inter-bank Bond Market (Continued)

3. Implementation of and changes in guarantee, debt repayment plan and other repayment assurance measures and their impacts during the Reporting Period (Continued)

(3) Implementation of repayment assurance measures

The Company formulated the following four repayment assurance measures for the debt financing instruments: strictly using the proceeds raised for the purpose of fundraising, designating special persons for the repayment of the debt financing instruments, formulating rules for the bondholders' meeting, and making strict information disclosure.

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

Unit: Yuan Currency: RMB

Main indicators	At the end of the Reporting Period	At the end of last year	Increase/decrease at the end of the Reporting Period as compared to the end of last year (%)	Reasons for change
Current ratio ⁽¹⁾	1.69	1.53	10.46	
Quick ratio ⁽²⁾	1.45	1.26	15.08	
Gearing ratio (%) ⁽³⁾	43.71	43.81	-0.10	

Section VIII Relevant Information on Bonds

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

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

	Reporting Period (January-June)	Corresponding period last year	Increase/ decrease of the Reporting Period as compared with the corresponding period last year (%)	Reasons for change
Profit for the Reporting Period after non-recurring profit or loss	1,661,741,340	792,106,292	109.79	Mainly due to the increase in revenue and the effective control of costs during the Reporting Period, which resulted in the increase in profit before tax.
Total debt to EBITDA ratio ⁽⁴⁾	0.25	0.15	66.67	Mainly due to the increase in revenue and the effective control of costs during the Reporting Period, which resulted in the increase in profit before tax.
Interest coverage ratio (<i>times</i>) ⁽⁵⁾	13.54	7.88	71.83	Mainly due to the increase in revenue and the effective control of costs during the Reporting Period, which resulted in the increase in profit before tax.
Cash interest coverage ratio (<i>times</i>) ⁽⁶⁾	20.64	12.71	62.39	Mainly due to the increase in cash flow generated from operating activities during the Reporting Period.
EBITDA interest coverage ratio (<i>times</i>) ⁽⁷⁾	20.30	14.55	39.52	Mainly due to the increase in revenue and the effective control of costs during the Reporting Period, which resulted in the increase in profit before tax.
Loan repayment ratio (%) ⁽⁸⁾	100.00	100.00	0	
Interest repayment ratio (%) ⁽⁹⁾	100.00	100.00	0	

Section VIII Relevant Information on Bonds

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

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

- (1) Current ratio = current assets/current liabilities
- (2) Quick ratio = (current assets – inventories)/current liabilities
- (3) Gearing ratio = (total liabilities/total assets) × 100%
- (4) Total debt to EBITDA ratio = EBITDA/total debts, in particular, total debts = long-term borrowings + bonds payable + short-term borrowings + financial liabilities at fair value through profit or loss + notes payable + short-term bonds payable (other current liabilities) + non-current liabilities due within one year + lease liabilities + long-term payables
- (5) Interest coverage ratio = profit before interest and tax/(interest expenses recognized in finance costs + capitalized interest expenses)
- (6) Cash interest coverage ratio = (net cash flows from operating activities + cash interest expenses + income tax paid in cash)/cash interest expenses
- (7) EBITDA interest coverage ratio = EBITDA/(interest expenses recognized in finance costs + capitalized interest expenses)
- (8) Loan repayment ratio = actual amount of loan repayment/loan amount repayable × 100%
- (9) Interest repayment ratio = interests actually paid/interests payable × 100%

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Balance Sheet

	<i>Note</i>	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	16,996,432	17,114,921
Right-of-use assets	7	533,844	607,069
Land use rights	8	1,008,173	1,020,870
Intangible assets	9	346,011	347,475
Investments in joint ventures	10	45,723	42,205
Investments in an associate	10	167,275	164,544
Financial assets at fair value through other comprehensive income	13	69,321	58,000
Deferred income tax assets	11	490,716	520,610
Other non-current asset	12	317,754	–
		19,975,249	19,875,694
Current assets			
Inventories		3,396,477	3,280,990
Trade and other receivables	12	4,662,547	4,866,762
Financial assets at fair value through profit or loss	13	–	300,288
Financial assets at fair value through other comprehensive income	13	1,071,392	1,301,612
Derivative financial instruments	13	2,354	–
Restricted cash		2,035	2,034
Cash and cash equivalents		15,224,484	8,807,952
		24,359,289	18,559,638
Total assets		44,334,538	38,435,332

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Balance Sheet (Continued)

	<i>Note</i>	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	14	2,609,744	2,508,618
Share premium	15	9,680,403	6,202,553
Other reserves	15	2,547,127	2,577,798
Retained earnings		10,128,931	10,317,255
		<u>24,966,205</u>	<u>21,606,224</u>
Non-controlling interests		(5,850)	(3,610)
Total equity		<u>24,960,355</u>	<u>21,602,614</u>
Liabilities			
Non-current liabilities			
Borrowings	16	3,521,767	3,183,785
Lease liabilities	7	457,196	510,511
Long-term payables	17	67,820	75,695
Deferred income tax liabilities	11	200,848	195,685
Deferred income on government grants	18	706,518	735,790
		<u>4,954,149</u>	<u>4,701,466</u>
Current liabilities			
Trade and other payables	19	5,457,084	4,421,923
Contract liabilities		769,996	756,282
Current income tax liabilities		156,947	212,758
Borrowings	16	7,959,427	6,645,938
Derivative financial instruments	13	4,625	795
Lease liabilities due within one year		67,338	89,766
Long-term payables due within one year		4,617	3,790
		<u>14,420,034</u>	<u>12,131,252</u>
Total liabilities		<u>19,374,183</u>	<u>16,832,718</u>
Total equity and liabilities		<u>44,334,538</u>	<u>38,435,332</u>

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Income Statement

	<i>Note</i>	Accumulated in June 2021 RMB'000 (Unaudited)	Accumulated in June 2020 RMB'000 (Unaudited)
Revenue	20	11,543,168	8,121,267
Cost of sales	20	(6,956,443)	(5,313,644)
Gross profit		4,586,725	2,807,623
Distribution costs and selling expenses		(867,662)	(612,505)
Administrative expenses		(1,036,222)	(996,502)
Research and development expenses		(472,079)	(329,042)
Other income		100,459	169,034
Other (loss)/gains-net	21	(166,902)	150,051
Net impairment losses on financial assets		(303)	(584)
Operating profit	22	2,144,016	1,188,075
Finance income		84,231	139,356
Finance costs		(158,849)	(161,649)
Finance costs-net		(74,618)	(22,293)
Share of net profit of joint venture/associate		6,249	2,199
Profit before tax		2,075,647	1,167,981
Income tax expense	23	(308,903)	(205,494)
Profit for the period		1,766,744	962,487
Profit attributable to:			
Owners of the Company		1,768,984	963,679
Non-controlling interests		(2,240)	(1,192)
Profit for the period		1,766,744	962,487
Earnings per share attributable to the ordinary equity holders of the Company during the period			
-Basic and diluted earnings per share <i>(expressed in RMB per share)</i>	24	0.70	0.38

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Comprehensive Income

	<i>Note</i>	Accumulated in June 2021 RMB'000 (Unaudited)	Accumulated in June 2020 RMB'000 (Unaudited)
Profit for the period		1,766,744	962,487
Other comprehensive income: <i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		-30,671	53,164
Other comprehensive (loss)/income for the period, net of tax		-30,671	53,164
Total comprehensive income for the period		<u>1,736,073</u>	<u>1,015,651</u>
Total comprehensive income attributable to:			
owners of the Company		1,738,313	1,016,843
Non-controlling interests		<u>(2,240)</u>	<u>(1,192)</u>
Total comprehensive income for the period		<u>1,736,073</u>	<u>1,015,651</u>

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Changes in Equity

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

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Changes in Equity (Continued)

	Attributable to owners 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, 2020	2,508,618	6,202,553	2,830,500	9,840,932	21,382,603	(1,285)	21,381,318
Comprehensive income:							
Profit for the period	-	-	-	963,679	963,679	(1,192)	962,487
Other comprehensive income:							
Currency translation differences – the Group	-	-	53,164	-	53,164	-	53,164
Total comprehensive income	-	-	53,164	963,679	1,016,843	(1,192)	1,015,651
Total transaction with equity holders:							
Dividends declared for 2019	-	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Total transaction with equity holders, recognized directly in equity	-	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Appropriation to statutory reserve	-	-	-	-	-	-	-
As at June 30, 2020	2,508,618	6,202,553	2,883,664	8,923,148	20,517,983	(2,477)	20,515,506

Section IX Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Cash Flow Statement

<i>Note</i>	Accumulated in June 2021 RMB'000 (Unaudited)	Accumulated in June 2020 RMB'000 (Unaudited)
Cash flow from operating activities		
Cash generated from operations	3,481,377	1,381,996
Income taxes paid	(316,621)	(207,262)
Net cash generated from operating activities	3,164,756	1,174,734
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	45,271	14,971
Proceeds from disposal of intangible assets and land use rights	858	–
Purchases of property, plant and equipment	(1,070,050)	(805,761)
Purchase of intangible assets	(23,423)	(8,860)
Disposal/(purchase) of financial assets at fair value through profit or loss – net	300,000	(1,292,427)
Purchase of financial assets at fair value through other comprehensive income - net	(11,321)	–
Interest received	113,303	163,045
Dividends received	–	4,900
(Increase)/decrease in restricted cash	(1)	284
Government grants received relating to property, plant and equipment	8,470	107,566
Net cash used in investing activities	(636,893)	(1,816,282)
Cash flow from financing activities		
Net proceeds from placement of additional H shares	3,578,976	–
Proceeds from borrowings	5,579,347	10,364,459
Repayments of borrowings	(3,905,020)	(6,243,306)
Dividends paid to the Company's shareholders	(1,023,886)	–
Interest paid	(181,971)	(139,079)
Payment of lease liabilities	(87,313)	(70,440)
Net cash generated from financing activities	3,960,133	3,911,634
Net increase in cash and cash equivalents	6,487,996	3,270,086
Cash and cash equivalents at the beginning of the period	8,807,952	8,352,669
Exchange gains/(losses) on cash and cash equivalents	(71,464)	105,708
Cash and cash equivalents at the end of the period	15,224,484	11,728,463
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated balance sheets	15,224,484	11,728,463
Add: Cash and cash equivalents attributable to the disposal groups	–	–
Cash and cash equivalents as stated in the consolidated cash flow statement	15,224,484	11,728,463

Section IX Financial Report

II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

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

The Company’s shares have been listed on both the Shanghai Stock Exchange (“A shares”) and the Main Board of the Hong Kong Stock Exchange (“H shares”). As at June 30, 2021, the Company had 2,002,986,332 A shares and 606,757,200 H shares in total, among which, Mr. Cho Tak Wong (曹德旺), the largest shareholder, together with his spouse held 15.90% equity interests in the Company.

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

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

The condensed consolidated interim financial statements are unaudited, and were approved to be issued by the Board of Directors on 5 August 2021.

2. Accounting Policies

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The condensed consolidated interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets or liabilities (including derivative instruments) at fair value through profit or loss and fair value through other comprehensive income, at fair value.

During the Reporting Period, the accounting policies adopted by the Group are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended December 31, 2020. The Group has not early adopted any new accounting and financial reporting standards, amendments and improvements to existing standards which have been issued but are not yet effective for the financial year ended December 31, 2021.

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

Section IX Financial Report

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

3. Financial Risk Management

3.1 Financial Risk Factors

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

The Condensed Consolidated Interim Financial Statements do not include all the information on financial risk management and disclosure required to be disclosed in the annual financial statements. There have been no changes in the risk management department or in any risk management policies since year end 2020.

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.

Section IX Financial Report

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

3. Financial Risk Management (Continued)

3.2 Liquidity Risk (Continued)

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at December 31, 2020					
Borrowings, including interest payables	6,741,057	1,560,554	1,743,383	–	10,044,994
Long-term payables	7,008	7,008	21,024	70,081	105,121
Lease liabilities	91,603	54,494	219,998	288,109	654,204
Derivative financial instruments	795.00	–	–	–	795.00
Financial liabilities included in trade payables and other payables	3,843,003	–	–	–	3,843,003
	10,683,466	1,622,056	1,984,405	358,190	14,648,117

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 June 30, 2021 and December 31, 2020 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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at June 30, 2021				
Assets				
Financial assets at fair value through other comprehensive income				
- notes receivable	-	-	1,071,392	1,071,392
- unlisted equity securities	-	-	69,321	69,321
Derivative financial instruments				
- forward foreign exchange contract	-	-	11	11
- foreign currency swap contracts	-	-	2,343	2,343
	-	-	1,143,067	1,143,067
Liabilities				
Derivative financial instruments				
-foreign currency option contracts	-	-	4,625	4,625
	-	-	4,625	4,625

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)

- (a) The table below analyses the Group's financial instruments carried at fair value as at June 30, 2021 and December 31, 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows (Continued) :

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2020				
Assets				
Financial assets at fair value through profit or loss				
– structured deposits	–	–	300,288	300,288
Financial assets at fair value through other comprehensive income				
– notes receivable	–	–	1,301,612	1,301,612
– unlisted equity securities	–	–	58,000	58,000
	<u>–</u>	<u>–</u>	<u>1,659,900</u>	<u>1,659,900</u>
Liabilities				
Derivative financial instruments				
– foreign currency swap contracts	–	–	795	795
	<u>–</u>	<u>–</u>	<u>795</u>	<u>795</u>

Section IX Financial Report

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

3. Financial Risk Management (Continued)

3.3 Fair Value Estimation (Continued)

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

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

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

Section IX Financial Report

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

4. Critical Accounting Estimates and Judgements

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

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

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

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

(b) Net Realisable Value of Inventories

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

(c) Current and Deferred Income Tax

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

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

Section IX Financial Report

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

4. Critical Accounting Estimates and Judgements (Continued)

(d) Impairment of financial assets

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

(e) Impairment of Non-Financial Assets

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

5. Segment Information

The Group operates as a single operating segment. The 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.

Section IX Financial Report

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

6. Plant, Equipment and Property

	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, 2021						
Net book amount as at January 1, 2021	5,238,634	7,477,475	1,537,097	507,417	2,354,298	17,114,921
Transfer	171,486	251,327	161,135	374	(584,322)	–
Other additions	31,037	38,197	100,308	115,121	812,710	1,097,373
Disposals	(11,614)	(83,338)	(5,744)	(11,253)	–	(111,949)
Depreciation	(169,246)	(493,513)	(227,300)	(131,330)	–	(1,021,389)
Currency translation difference	(22,550)	(44,933)	(5,295)	(166)	(9,580)	(82,524)
Closing net book amount as at June 30, 2021	5,237,747	7,145,215	1,560,201	480,163	2,573,106	16,996,432
For the six-month period ended June 30, 2020						
Net book amount as at January 1, 2020	5,355,439	7,554,388	1,609,354	617,331	2,901,033	18,037,545
Transfer	182,154	306,181	110,719	1,487	(600,541)	–
Other additions	70,684	81,162	29,398	94,713	606,580	882,537
Disposals	(2,875)	(3,571)	(6,770)	(6,905)	–	(20,121)
Depreciation	(167,074)	(499,202)	(216,182)	(149,169)	–	(1,031,627)
Currency translation difference	4,175	26,598	3,577	75	14,542	48,967
Closing net book amount as at June 30, 2020	5,442,503	7,465,556	1,530,096	557,532	2,921,614	17,917,301

Section IX Financial Report

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

7. Leases

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

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Opening net book amount	607,069	701,329
Additions	6,408	8,834
Depreciation	(59,624)	(59,409)
Deduction	—	(2,636)
Currency translation difference	(20,009)	10,485
Closing net book value	<u>533,844</u>	<u>658,603</u>

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

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
	Current portion	67,338
Non-current portion	457,196	510,511
	<u>524,534</u>	<u>600,277</u>

Section IX Financial Report

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

8. Land Use Rights

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

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Opening net book value	1,020,870	1,050,928
Currency translation difference	(159)	295
Additions	—	—
Amortisation charges	(12,538)	(12,609)
Closing net book value	<u>1,008,173</u>	<u>1,038,614</u>

9. Intangible Assets

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

Section IX Financial Report

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

9. Intangible Assets (Continued)

	Goodwill RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
For the six-month period ended June 30, 2020							
Net book amount as at January 1, 2020	154,941	3,245	27,600	60,317	120,566	9,373	376,042
Currency translation difference	-	-	392	124	-	4	520
Additions	-	-	-	8,381	-	479	8,860
Disposals	-	(11)	-	(68)	-	-	(79)
Amortisation charges	-	(824)	(1,766)	(16,403)	(3,458)	(561)	(23,012)
Closing net book amount as at June 30, 2020	154,941	2,410	26,226	52,351	117,108	9,295	362,331

10. Investments Under the Equity Method

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Joint Venture		
Opening balance	42,205	43,948
Dividends received	-	(4,900)
Share of results	3,518	1,288
Closing balance	45,723	40,336
Associate		
Opening balance	164,544	155,857
Share of results	2,731	911
Closing balance	167,275	156,768

Section IX Financial Report

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

11. 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, 2021	1,010,658	685,733
Recognised in the consolidated income statement	(24,911)	10,146
Effect of movements in exchange rates	(4,892)	(4,892)
As at June 30, 2021	<u>980,855</u>	<u>690,987</u>
Offsetting deferred income tax liabilities/deferred income tax assets	(490,139)	(490,139)
Net balance after offsetting as at June 30, 2021	<u>490,716</u>	<u>200,848</u>
	<i>Deferred income tax assets RMB'000</i>	<i>Deferred income tax liabilities RMB'000</i>
As at January 1, 2020	1,025,854	668,429
Recognised in the consolidated income statement	47,160	15,968
Effect of movements in exchange rates	11,332	7,513
As at June 30, 2020	<u>1,084,346</u>	<u>691,910</u>
Offsetting deferred income tax liabilities/deferred income tax assets	(514,861)	(514,861)
Net balance after offsetting as at June 30, 2020	<u>569,485</u>	<u>177,049</u>

Section IX Financial Report

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

12. Trade and Other Receivables

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Trade receivables due from third parties (Note(a)):		
Notes receivables	15,707	19,430
Trade receivables	3,933,551	3,739,360
Less: Provision for impairment	(5,152)	(4,865)
	<u>3,944,106</u>	<u>3,753,925</u>
Trade receivables – net		
	<u>3,944,106</u>	<u>3,753,925</u>
Other receivables due from third parties:		
Other receivables	569,350	567,717
Less: Provision for impairment	(44,308)	(46,101)
	<u>525,042</u>	<u>521,616</u>
Other receivables – net		
	<u>525,042</u>	<u>521,616</u>
Amount due from related parties (Note 27(c)):		
Other receivables (i)	153,041	160,894
Prepayments (ii)	8,761	10,769
	<u>161,802</u>	<u>171,663</u>
Others:		
Prepayments	208,315	162,758
Prepaid current income tax and value-added tax recoverable and refundable	141,036	256,800
	<u>349,351</u>	<u>419,558</u>
Trade and other receivables	<u>4,980,301</u>	<u>4,866,762</u>
Less: Non-current portion of amount of other receivables (note (b))	(317,754)	–
Trade and other receivables – net	<u>4,662,547</u>	<u>4,866,762</u>

Section IX Financial Report

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

12. Trade and Other Receivables (Continued)

- (i) The amount of RMB151,600,000 represents the loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd., at an interest rate of 5.225% per annum. The loan for the associate is secured by 75% of share of the associate held by third parties and all property, plants and equipment (including but not limited to buildings, land use rights, etc) owned by the associate are unconditionally pledged to the Group as security for the loan.
- (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, 2021 and December 31, 2020 was as follows:

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Trade receivables – gross		
Within 3 months	3,690,717	3,550,526
3 to 6 months	231,665	180,637
6 to 12 months	18,791	19,723
Over 1 year	8,085	7,904
	<hr/>	<hr/>
Total	3,949,258	3,758,790

- (b) The amount is the amount receivable of the Company from Taiyuan Jinnuo Industry Co., Ltd. (hereinafter referred to as "Taiyuan Jinnuo") in relation to the transfer payment for the 24% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. (hereinafter referred to as "Beijing Futong"), an original subsidiary of the Company. Taiyuan Jinnuo had made many requests to the Company for deferred payments. As considered and approved by the Board of Directors of the Company on June 17, 2021, Taiyuan Jinnuo was permitted to make the payment before June 30, 2024, as a result, the book value of equity interest receivables as "other non-current assets". For details, please refer to the relevant contents in (X) Material disposal of assets and equities of IV. Principal Operation Results During The Reporting Period of Section III Management Discussion and Analysis.

Section IX Financial Report

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

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

	As at June 30, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Financial assets at fair value through profit or loss		
Current assets		
– Structure deposits (a)	–	300,288
Derivative financial instruments		
Current assets		
– Forward foreign exchange contracts (b)	11	–
– Foreign currency swap contracts (c)	2,343	–
	<u>2,354</u>	–
Current Liabilities		
– Foreign currency swap contracts (c)	–	795
– Foreign currency option contracts (d)	4,625	–
	<u>4,625</u>	795
Financial assets at fair value through other comprehensive income		
Non-current assets		
– Unlisted equity securities	69,321	58,000
Current assets		
– Note Receivable (e)	<u>1,071,392</u>	<u>1,301,612</u>

Section IX Financial Report

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

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

- (a) As at December 31, 2020, the Group has 100% principal protected structure deposits of RMB300,000,000 at a floating rate linked to USD-HKD exchange rate. The structure deposits expired on June 21, 2021.
- (b) As of June 30, 2021, the Group had forward foreign exchange contracts with a notional amount of US\$233,876 converted from U.S. dollars to RMB. The forward foreign exchange contracts have an agreed maturity rate of 6.4941 and will expire on July 5, 2021.
- (c) As of June 30, 2021, the Group had foreign currency swap contracts with a notional amount of US\$46,420,945 converted from U.S. dollars to RMB. The foreign currency swap contracts have an agreed maturity rate of 6.55912 and will expire on July 5, 2021.

As of December 31, 2020, the Group had foreign currency swap contracts with a notional amount of US\$75,976,295 converted from U.S. dollars to RMB. The foreign currency swap contracts have an agreed maturity rate of 6.682 and already expired on May 10, 2021.

- (d) As of June 30, 2021, the Group had foreign currency option contracts with an aggregate notional amount of US\$130,000,000 converted from U.S. dollars to RMB. The foreign currency option contracts have an agreed maturity rate of 6.9000 and will expire in the period from December 8, 2021 to December 27, 2021.
- (e) The Group discounted and terminated part of bank acceptance notes according to its daily fund management needs. Therefore, the Group classified and presented bank acceptance notes as financial assets at fair value through other comprehensive income.

Section IX Financial Report

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

14. Share Capital

Ordinary shares, issued and fully paid:

	Number of A shares Thousands	Number of H shares Thousands	A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total share capital RMB'000
As at January 1, 2021	2,002,986	505,632	2,002,986	505,632	2,508,618
Additional issuance of H shares (a)	–	101,126	–	101,126	101,126
As at June 30, 2021	2,002,986	606,758	2,002,986	606,758	2,609,744
As at January 1, 2020 and June 30, 2020	2,002,986	505,632	2,002,986	505,632	2,508,618

- (a) On 10 May 2021, the Company completed the issuance of 101,126,000 additional overseas listed foreign investment shares (H Shares) as approved by the Reply on the Approval of the Issuance of Overseas Listed Foreign Investment Shares by Fuyao Glass Industry Group Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1495) from CSRC. For details, please refer to the relevant instructions in I. Changed in Share Capital of Section VII Changes in Shares and Information of Shareholders.

15. Share Premium and Other Reserves

	Share premium RMB'000	Statutory reserves RMB'000	Other reserves		Total RMB'000
			Foreign currency translation differences RMB'000	Capital reserve RMB'000	
As at January 1, 2021	6,202,553	2,931,419	(373,980)	20,359	2,577,798
Additional issuance of H shares	3,477,850	–	–	–	–
Foreign currency translation differences	–	–	(30,671)	–	(30,671)
As at June 30, 2021	9,680,403	2,931,419	(404,651)	20,359	2,547,127
As at January 1, 2020	6,202,553	2,688,960	121,015	20,525	2,830,500
Foreign currency translation differences	–	–	53,164	–	53,164
As at June 30, 2020	6,202,553	2,688,960	174,179	20,525	2,883,664

Section IX Financial Report

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

16. Borrowings

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

	As at June 30, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Non-current	3,521,767	3,183,785
Current	7,959,427	6,645,938
Total borrowings	11,481,194	9,829,723

(a) During the Reporting Period, the Company issued ultra short-term financing bonds in National Association of Financial Market Institutional Investors in the PRC (中國銀行間市場交易商協會), details of which are analysed as follows:

Stock short name	Issue date	Term	Interest rate	Principal <i>(RMB'000)</i>	Carrying amount <i>(RMB'000)</i>
Note-21 Fuyao Glass SCP001 (High-growth note)	April 19, 2021	91 days	2.68%	300,000	301,564
Note-21 Fuyao Glass SCP002	June 7, 2021	180 days	2.67%	300,000	300,385

Section IX Financial Report

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

16. Borrowings (Continued)

(2) Movement in borrowings is analysed as follows:

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Opening net book amount	9,829,723	10,718,806
Additions	5,556,491	10,387,886
Deduction	(3,905,020)	(6,243,306)
Closing net book amount	<u>11,481,194</u>	<u>14,863,386</u>

17. Long-term payables

	June 30, 2021 RMB'000	December 31, 2020 RMB'000
Payables for proceeds from transfer of mining rights	72,437	79,485
Less: Current portion of long-term payables	(4,617)	(3,790)
	<u>67,820</u>	<u>75,695</u>

According to the Interim Measures for the Administration of the Collection of Mining Right Transfer Profits, the Group's quartz sand mine mining rights in Wenchang City, Hainan Province are subject to levy on transfer proceeds. The Group paid RMB34,122,000, and will pay the remaining part annually till 2033.

18. Deferred Income on Government Grants

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
At beginning of the period	735,790	673,449
Government grants received during the year ⁽¹⁾	8,470	107,566
Credited to the consolidated income statement	(37,600)	(31,545)
Foreign currency statement translation	(142)	272
At end of the period	<u>706,518</u>	<u>749,742</u>

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

Section IX Financial Report

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

19. Trade and Other Payables

	As at June 30, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Notes payable	1,342,668	1,166,210
Payables to third parties	1,328,291	1,281,028
Dividends payable	933,421	–
Staff salaries payables	409,204	489,357
Payables for purchasing of property, plant and equipment	367,338	408,134
Accrued taxes other than income tax	39,180	89,564
Amount due to related parties (<i>Note 27(c)</i>)	38,072	40,236
Other payables and accruals	998,910	947,394
	<u>5,457,084</u>	<u>4,421,923</u>

(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, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Within 3 months	2,064,201	1,963,384
3 to 6 months	584,234	459,128
6 to 12 months	6,424	10,173
Over 1 year	16,100	14,553
	<u>2,670,959</u>	<u>2,447,238</u>

Section IX Financial Report

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

20. Revenue and Cost of Sales

	For the period ended June 30			
	2021		2020	
	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	10,366,890	6,837,628	7,299,577	4,981,543
Float glasses	1,936,210	1,140,898	1,289,400	842,058
Others	986,203	724,052	781,666	739,419
Sub-total	13,289,303	8,702,578	9,370,643	6,563,020
Less: Intra-group sales	(1,746,135)	(1,746,135)	(1,249,376)	(1,249,376)
	11,543,168	6,956,443	8,121,267	5,313,644

21. Other (Losses)/Gains – Net

	For the period ended June 30	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Foreign exchange (losses)/gains	(172,059)	127,840
Gains on financial assets at fair value through profit or loss and derivative financial instruments	32,359	23,689
Changes in fair value of financial assets	(5,051)	6,157
Loss on disposal of note receivable at fair value through other comprehensive income	(9,964)	(6,882)
Loss on disposal of property, plant and equipment	(27,032)	(4,376)
Loss on disposal of intangible assets	(99)	–
Donation	(964)	(275)
Net gain on claim	54,458	5,115
Extraordinary losses	(39,254)	–
Others	704	(1,217)
	(166,902)	150,051

Section IX Financial Report

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

22. Operating Profit

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
The following items have been charged to the operating profit during the period:		
Employee benefit expenses	2,133,368	1,827,550
Depreciation of property, plant and equipment (Note 6)	1,021,389	1,031,627
Transportation and storage expenses	418,996	243,597
Packing expenses	226,741	175,235
Depreciation of right of use assets (Note 7)	59,624	59,409
Amortisation of intangible assets (Note 9)	23,570	23,012
Amortisation of land use rights (Note 8)	12,538	12,609
Write-down inventories to net realisable value	2,738	5,077

23. Income Tax Expense

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

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Current income tax	273,846	240,505
Deferred income tax (Note 11)	35,057	(35,011)
Income tax expense	308,903	205,494

Section IX Financial Report

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

23. Income Tax Expense (Continued)

(a) PRC corporate income tax

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

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

(b) Hong Kong profits tax

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

(c) American profits tax

Applicable profit tax rates of the Group's different subsidiaries in America are 25.40% and 28%, respectively. Except for Fuyao North America Incorporated, which calculated profits tax at a rate of 28% on the estimated assessable profits during the period, other subsidiaries has provided no profit tax due to accumulated losses during the period.

(d) Russian profits tax

Applicable profit tax rate of Russian is 20%. During the period, no profit tax has been provided due to accumulated losses.

Section IX Financial Report

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

23. Income Tax Expense (Continued)

(e) German profits tax

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

The tax on the Group's profit before tax differs from the theoretical amount that could arise from using the statutory tax rates of 10% to 40% applicable as follows:

	For the period ended June 30	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	2,075,647	1,167,981
Tax calculated at the applicable income tax rate	530,805	293,521
Tax effect of:		
Expenses not deductible for tax purpose	2,732	230
Income not subject to income tax	(2,352)	(550)
Preferential income tax rate	(210,386)	(132,247)
Unrecognised tax losses carried forward	47,704	99,569
Utilisation of previously unrecognised deductible temporary differences	(992)	(190)
Utilisation of previously unrecognised tax losses	(5,964)	(2,314)
Withholding taxation on unremitted earnings of certain subsidiaries	5,602	6,613
Others	(58,246)	(59,138)
Income tax expense	<u>308,903</u>	<u>205,494</u>

Section IX Financial Report

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

24. Earnings per Share

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

	For the period ended June 30	
	2021	2020
Profit for the Reporting Period attributable to owners of the Company (<i>RMB'000</i>)	1,768,984	963,679
Weighted average number of ordinary shares in issue (<i>thousand</i>)	2,525,472	2,508,618
Basic earnings per share (<i>RMB</i>)	0.70	0.38

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

25. Dividends

	For the period ended June 30	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividends proposed by the Company	—	—

For the period ended June 30, 2021 and June 30, 2020, no dividend of corresponding period was proposed by the directors of the Company.

26. Commitments

(1) Capital commitments

As at June 30, 2021 and December 31, 2020, capital expenditure contracted for but not yet incurred is as follows:

	As at June 30, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Property, plant and equipment	1,073,731	1,220,604

Section IX Financial Report

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

26. Commitments (Continued)

(2) Investment commitments

As considered and approved at the 17th meeting of the 7th session of the Board of Directors of the Company held on October 22, 2013, the Company intended to establish a wholly owned company - "Fuyao Rus Float Glass Co., Ltd." (provisional name, and the final name subject to the approval by the local company registration authority) in Kaluga, Russia, and planned to invest US\$ 220 million in the construction of the float glass project. On June 30, 2021, Fuyao Rus Float Glass Co., Ltd. had not yet been established.

As considered and approved at the 15th meeting of the 8th session of the Board of Directors of the Company held on August 4, 2017, the Company intended to establish "Fuyao Glass International Holdings Co., Ltd. (provisional name)" (to be known as "Fuyao Group International Holdings Co., Ltd." upon actual establishment), and planned to invest no more than RMB3 billion to build up the holding and management company. On June 30, 2021, Fuyao Group International Holdings Co., Ltd. has been established, and the registered capital has not yet been invested.

(3) Letter of credit commitments

The Group has entrusted banks to open certain letters of credit in respect of customs bonds and purchase of imported equipment. As at June 30, 2021, the outstanding amount under these letters of credit was approximately RMB119,033,224 (December 31, 2020: RMB102,423,077).

Section IX Financial Report

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

27. Related Party Transactions

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business and balances arising from related party transactions during the period ended June 30, 2021 and 2020:

(a) Name of and relationship with related parties

Name of related parties	Relationship
Mr. Cho Tak Wong (曹德旺)	Single largest shareholder
Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司)	Controlled by Ms. Chan Fung Ying (the spouse of Mr. Cho Tak Wong)
Sanyi Development Ltd. (三益發展有限公司)	Shareholder of the Company, which is controlled by the single largest shareholder
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Jointly controlled entity of the Group
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	An entity over which the Group has significant influence
Global Cosmos German Co., Ltd. (環創德國有限公司)	Controlled by the single largest shareholder
Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司)	An entity over which the Group has significant influence

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

I. Sales of goods, provision of services

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	3,127	5,933
Tri-Wall Packaging (Fuzhou) Co., Ltd.	1,767	1,088
	<u>4,894</u>	<u>7,021</u>

Section IX Financial Report

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

27. Related Party Transactions (Continued)

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

II. Purchase of goods, services

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	88,527	102,909
Tri-Wall Packaging (Fuzhou) Co., Ltd.	40,334	25,777
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	2,919	2,486
	<u>131,780</u>	<u>131,172</u>

III. Rental income

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	34	–
Tri-Wall Packaging (Fuzhou) Co., Ltd.	–	66
	<u>34</u>	<u>66</u>

Section IX Financial Report

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

27. Related Party Transactions (Continued)

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

IV. Increased lease fee as a lessee

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	14,255	14,255
Global Cosmos German Co., Ltd.*	10,308	10,191
Jinken Glass Industry Shuangliao Co., Ltd.	81	—
	<u>24,644</u>	<u>24,446</u>

V. Increased interest on lease liabilities as a lessee

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Global Cosmos German Co., Ltd.*	1,295	1,281
Fujian Yaohua Industrial Village Development Co., Ltd.*	—	646
	<u>1,295</u>	<u>1,927</u>

Section IX Financial Report

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

27. Related Party Transactions (Continued)

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

VI. Key management compensation

	For the period ended June 30	
	2021 RMB'000	2020 RMB'000
Salaries, wages and bonuses	14,493	19,275
Pension, housing fund, medical insurance and other social insurance	333	348
Others	212	330
	<u>15,038</u>	<u>19,953</u>

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

Section IX Financial Report

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

27. Related Party Transactions (Continued)

(c) Balances with related parties

Amount due from related parties:

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Other receivables (i)	153,041	160,894
Prepayments (ii)	8,761	10,769
	<u>161,802</u>	<u>171,663</u>

(i) Other receivables:

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	151,613	160,020
Tri-Wall Packaging (Fuzhou) Co., Ltd.	349	267
Global Cosmos German Co., Ltd.	1,079	607
	<u>153,041</u>	<u>160,894</u>

(ii) Prepayments:

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	8,761	10,769

Section IX Financial Report

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

27. Related Party Transactions (Continued)

(c) Balances with related parties (Continued)

Amount due to related parties:

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Trade payables (iii)	17,882	18,767
Other payables (iv)	20,190	21,469
Lease liabilities (v)	169,957	204,632
	<u>208,029</u>	<u>244,868</u>

(iii) Trade payables:

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	9,858	11,242
Tri-Wall Packaging (Fuzhou) Co., Ltd.	8,024	7,525
	<u>17,882</u>	<u>18,767</u>

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

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Within 3 months	17,882	18,744
3 to 6 months	-	23
	<u>17,882</u>	<u>18,767</u>

Section IX Financial Report

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

27. Related Party Transactions (Continued)

(c) Balances with related parties (Continued)

Amount due to related parties (Continued):

(iv) Other payables to related parties:

	As at June 30, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	20,190	21,469

(v) Lease liabilities:

	As at June 30, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Global Cosmos German Co., Ltd.	169,957	176,123
Fujian Yaohua Industrial Village Development Co., Ltd.	—	28,509
	<u>169,957</u>	<u>204,632</u>

Section IX Financial Report

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

28. Events after the Balance Sheet Date

On July 13, 2021, the Company publicly issued the third period of 2021 ultra short-term financing bonds (referred to as “21 Fuyao Glass SCP003”) in the national inter-bank market and the ultra short-term financing bonds code is 012102532. The total issuance is RMB200,000,000, the term of the ultra short-term financing bonds for the period is 177 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.65% (annual interest rate), the main underwriter is Bank of Communications Co., Ltd. (交通銀行股份有限公司), and the value date is July 14, 2021, and the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repay borrowings from financial institutions.

On July 15, 2021, the company publicly issued the ourth period of 2020 ultra short-term financing bonds (referred to as “21 Fuyao Glass SCP004”) in the national inter-bank market and the ultra short-term financing bonds code is 012102597. The total issuance of “20 Fuyao Glass SCP001” is RMB400,000,000, the term is 151 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.60% (annual interest rate), the main underwriter is Bank of China Co., Ltd. (中國銀行股份有限公司), and the value date is July 19, 2021, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repay mature debt financing instruments and borrowings from financial institutions.