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**福耀玻璃工业集团股份有限公司**  
**FUYAO GLASS INDUSTRY GROUP CO., LTD.**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 3606)**

## **THE CONNECTED TRANSACTION UNDER THE NEW LEASE CONTRACT**

In order to meet the accommodation demand of staff, improve the accommodation conditions for staff and enhance the efficiency of the Group's staff management, on April 27, 2023, the Company entered into the New Lease Contract with Yaohua Industrial Village to lease the newly constructed properties of 108,623.21 square meters from Yaohua Industrial Village for a term from October 1, 2023 to December 31, 2028, at a total annualized rent of approximately RMB26.07 million (tax inclusive). If the actual leased area is adjusted, the adjusted leased area shall prevail and the rent shall be adjusted accordingly.

Yaohua Industrial Village is indirectly wholly owned by Mr. Cho Tak Wong, the chairman of the Board, and his spouse Ms. Chan Fung Ying. Therefore, Yaohua Industrial Village is a connected person of the Company and its transaction with the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The right-of-use assets acquired under the New Lease Contract will be recognized by the Group in its consolidated statement of financial position in accordance with the International Financial Reporting Standards (IFRS) 16. Accordingly, the entering into of the New Lease Contract and the transaction contemplated thereunder will be considered as an acquisition of right-of-use assets by the Group, with a total value expected to be approximately RMB136.87 million. As one or more of the applicable percentage ratios of the estimated value of the right-of-use assets to be recognized by the Company under the New Lease Contract (when aggregated with the transactions under the Existing Lease Contract) are more than 0.1% but all of the applicable percentage ratios are less than 5%, the Lease of Properties is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## I. BACKGROUND

The Company is currently leasing the properties in Districts I and II of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province from Yaohua Industrial Village, for the use as standard manufacturing plants, and ancillary facilities including staff dormitory, dining hall and training center. The total leased area is 158,325.65 square meters with a term from January 1, 2022 to December 31, 2024.

In order to meet the accommodation demand of staff, improve the accommodation conditions for staff and enhance the efficiency of the Group's staff management, on April 27, 2023, the Company entered into the New Lease Contract with Yaohua Industrial Village to lease the newly constructed properties of 108,623.21 square meters from Yaohua Industrial Village for a term from October 1, 2023 to December 31, 2028, at a total annualized rent of approximately RMB26.07 million (tax inclusive). If the actual leased area is adjusted, the adjusted leased area shall prevail and the rent shall be adjusted accordingly.

## II. NEW LEASE CONTRACT

The principal terms of the New Lease Contract are set out as below:

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

Date of the contract: April 27, 2023

Term of lease: October 1, 2023 to December 31, 2028

Principal terms and conditions: The Company will lease the properties in District II of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province, the PRC with a total leasing area of 108,623.21 square meters from Yaohua Industrial Village, comprising talent apartments of 83,370.29 square meters and car parking spaces of 25,252.92 square meters.

The monthly unit rent of the leased properties is RMB20 per square meter (tax inclusive); the total monthly rent is approximately RMB2.18 million (tax inclusive) and the total annualized rent is approximately RMB26.07 million (tax inclusive).

If the actual leased area is adjusted, the adjusted leased area shall prevail and the rent shall be adjusted accordingly.

Within the term of lease, the Company shall be responsible for the maintenance cost of the leased properties; and if the Company needs to continue the lease upon its expiration, the Company shall express its intention of renewing the lease with, and negotiate on and proceed with the renewal formalities with Yaohua Industrial Village 30 days prior to the expiration of the New Lease Contract. The Company shall have the right of first refusal as to the lease of such properties under the equal terms.

The Company shall pay the total rent for the lease term within 60 days from the date of signing the New Lease Contract.

Pricing principles:

The rent shall be determined by both parties through negotiation with reference to the prevailing market price of the comparable properties in the place where the leased properties are located. Payment of the full rent in a lump-sum will enable the Company to receive a greater discount on the rent. The Company considers that the rental pricing and payment terms are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

### **III. REASONS FOR AND BENEFIT OF ENTERING INTO THE LEASE OF PROPERTIES**

At present, in addition to the properties already leased under the Existing Lease Contract, the Group leases multiple properties outside of Fuzhou Production Base to meet the accommodation demand of staff, which are at a certain distance from Fuzhou production base, causing inconvenience to staff for commuting to work, and are geographically scattered, which weakens the staff management, and staff's well-being is reduced. The new properties leased by the Company from Yaohua Industrial Village are adjacent to Fuzhou Production Base, thereby forming a stable logistical ancillary facilities for the Group. It is possible to bring together staffs in scattered accommodation in one place. Proximity to accommodation for and reduction of commuting time of staff will be beneficial to the Group's staff management, while the Company will maintain a greater degree of talent stability and improve staff satisfaction. The Company adopts the method of obtaining and using leased properties in lieu of construction, to increase the liquidity of the Company's assets, so that the Company can have more funds to develop its principal businesses and enhance its core competitiveness.

#### **IV. IMPLICATIONS UNDER THE LISTING RULES**

Yaohua Industrial Village is indirectly wholly owned by Mr. Cho Tak Wong, the chairman of the Board, and his spouse Ms. Chan Fung Ying. Therefore, Yaohua Industrial Village is a connected person of the Company and its transaction with the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The right-of-use assets acquired under the New Lease Contract will be recognized by the Group in its consolidated statement of financial position in accordance with the IFRS 16. Accordingly, the entering into of the New Lease Contract and the transaction contemplated thereunder will be considered as an acquisition of right-of-use assets by the Group, with a total value expected to be approximately RMB136.87 million. As one or more of the applicable percentage ratios of the estimated value of the right-of-use assets to be recognized by the Company under the New Lease Contract (when aggregated with the transactions under the Existing Lease Contract) are more than 0.1% but all of the applicable percentage ratios are less than 5%, the Lease of Properties is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Cho Tak Wong, Mr. Tso Fai (a son of Mr. Cho Tak Wong) and Mr. Ye Shu (the son-in-law of Mr. Cho Tak Wong) have abstained from voting on the Board resolution approving the New Lease Contract and the transaction contemplated thereunder in accordance with the requirements of the Articles of Association of the Company. Save as disclosed above, no other Director has any material interest in the transaction contemplated under the New Lease Contract. Therefore, none of the other Directors abstained from voting on the relevant resolution of the Board.

The Directors (including the independent non-executive Directors) are of the view that the connected transaction under the New Lease Contract is entered into on normal commercial terms or better in the ordinary course of business of the Company, the contract terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## V. GENERAL INFORMATION

The Company is the largest professional supplier of automotive glass in the world. Its products are sold in the domestic and overseas OEM and ARG automotive glass markets.

Yaohua Industrial Village was established in May 1992, and its main business scope includes the real estate development and operation, construction engineering, property management, residential property leasing and non-residential property leasing.

## VI. DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Lease Contract”	the Property Lease Contract entered into between the Company and Yaohua Industrial Village on October 28, 2021 in relation to the lease of properties located at Districts I and II of Fuyao Industrial Zone, Honglu Town, Fuqing, Fujian Province, the PRC with a total area of 158,325.65 square meters
“Group”	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries

“Lease of Properties”	the transaction concerning the lease of properties by the Company from Yaohua Industrial Village pursuant to the New Lease Contract
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“New Lease Contract”	the property lease contract entered into between the Company and Yaohua Industrial Village on April 27, 2023 in relation to the lease of new properties located at District II of Fuyao Industrial Zone, Honglu Town, Fuqing, Fujian Province, the PRC with a total area of 108,623.21 square meters
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan Region
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Yaohua Industrial Village”	Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司), a company incorporated in the PRC with limited liability

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

Fuzhou, Fujian, the PRC, April 28, 2023

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