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

**(Stock Code: 3606)**

- I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and there are not any false representations, misleading statements contained in or material omissions from this annual report, and severally and jointly accept legal responsibility therefor.
- II. All the directors of the Company have attended the Board meeting.
- III. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) has issued standard unqualified audit report for the Company.
- IV. Cho Tak Wong, the person-in-charge of the Company, Chen Xiangming, the person-in-charge of accounting affairs and Qiu Yongnian, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.
- V. Plan for profit distribution or conversion of capital reserves into share capital as approved by the Board in the Reporting Period

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2022 as shown on the consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB4,755,595,541. As audited by PricewaterhouseCoopers, the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2022 as shown on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards amounted to RMB4,755,032,249.

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit for the year of 2022 as shown on the Company's financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB4,015,450,379; adding the undistributed profits of RMB6,843,001,575 at the beginning of the year of 2022, deducting the distributed profits of RMB2,609,743,532 for the year of 2021, and after appropriating 10% of the net profit of the Company for the year of 2022 to the statutory surplus reserve amounting to RMB401,545,038, the profits distributable to the shareholders of the Company as at December 31, 2022 amounted to RMB7,847,163,384.

The profit distribution plan for the year of 2022 as proposed by the Company is as follows: Based on the total number of shares registered on the record date in respect of the equity distribution for the year of 2022, the Company proposes to distribute cash dividends to the holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of the equity registration for the year of 2022, with a cash dividend of RMB1.25 (tax included) per share, and the remaining undistributed profits of the Company will be carried forward to the following year. As of 31 December 2022, the total number of shares of the Company was 2,609,743,532, base on which, the total cash dividend proposed to be distributed was RMB3,262,179,415 (tax inclusive). The aforesaid amount of cash dividend proposed to be distributed accounted for 68.60% of the net profit attributable to common shareholders of the parent company in the consolidated financial statements of the year prepared by the Company in accordance with the China Accounting Standards for Business Enterprises. The Company will not carry out bonus issue and conversion of capital reserve into share capital for the year of 2022. The cash dividends distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

If the total number of shares of the Company changes between the date of disclosure of such profit distribution plan and the record date for the implementation of profit distribution, the Company proposes to maintain the distribution ratio per share unchanged and make adjustment to the total distribution accordingly. The details of adjustments will be published separately.

- VI. Risks associated with forward-looking statements

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# Section I Chairman's Statement

Dear Shareholders:

I am very grateful for your long-term support and care for Fuyao Glass. Entrusted by the Board of Directors of the Company, I am pleased to present the 2022 annual report for your review.

In 2022, the global business environment kept deteriorating. The economic slowdown in Europe and the United States and the breakage of supply chains led to rising transportation, energy and material prices, and serious global inflation, posed a variety of challenges for companies. Fuyao, however, stayed true to its original aspiration and achieved remarkable success by consolidating its basic management and eliminating all kinds of difficulties in an orderly manner, which is inspiring and deserves to be reviewed and summarised carefully, so that the Company can be continuously improved with the help of the lessons learned from its experience that will be greatly promoted.

During the Reporting Period, the Company, on a consolidated basis, realised revenue of RMB28,098,754,000, representing an increase of 19.05% as compared with the corresponding period last year; realised profit before tax of RMB5,578,543,000, representing an increase of 46.10% as compared with the corresponding period last year; realised annual profit attributable to owners of the Company of RMB4,755,033,000, representing an increase of 51.16% as compared with the corresponding period last year; and realised earnings per share of RMB1.82, representing an increase of 47.97% as compared with the corresponding period last year.

The global economy will remain tough in 2023. With the slackening of the economies of developed countries in Europe and the US and further reductions in consumer demand, the development for the year may be hampered by the unknown time required for the restoration of supply chain stability, and the expected rise in credit risk of society. We must therefore remain calm, avoid conceit and impetuosity and draw a thorough conclusion from our historical cases and plan for the future from a higher, deeper, and far-sighted perspective. We must continue to sustain deeper crisis awareness, maintain a healthy financial position and steady operations; keep innovation as the driving force, focus on technological innovation and management innovation at the same time, and vigorously spread successful experiences; coordinate global production capacity planning and service capacity building, and build global competitiveness with an excellent operation system; carry out the construction of "digital green factories" and achieve a leading industrial structure and energy structure optimisation. We will also continue to enhance our team awareness, improve the organisational effectiveness and create an end-to-end value stream with a customer-oriented approach.

We are all part of the Fuyao team. To make Fuyao better, we need each and every one of us to do a good job. As long as all Fuyao members are committed to the same goal, Fuyao will become a benchmark for high-quality development that is stable, innovative and green.

*Chairman:* **Cho Tak Wong**

## Section II Definitions

### I. DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the 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 Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors	the board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
Articles of Association	the articles of association of the Company currently in force
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 components 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 of two or more than two layers of automobile float glass held in place by one or more interlayers of PVB
float glass	the glass produced by applying float technology
Reporting Period	the twelve months ended December 31, 2022
Latest Practicable Date	March 16, 2023, being the latest practicable date for including certain information herein prior to the publication of this annual report

# Section III Corporate Profile and Principal Financial Indicators

## I. COMPANY INFORMATION

Name of the Company in Chinese	福耀玻璃工業集團股份有限公司
Chinese abbreviation	福耀玻璃
Name of the Company in English	FUYAO GLASS INDUSTRY GROUP CO., LTD.
English abbreviation	FYG, FUYAO GLASS
Legal representative of the Company	Cho Tak Wong

## II. CONTACT PERSONS AND CONTACT METHODS

### Secretary to the Board of Directors Representative of 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. BASIC INFORMATION

Registered address of the Company	Fuyao Industrial Zone, Rongqiao Economic & Technological Development Zone, Fuqing City, Fujian Province
Historical changes of the registered address of the Company	None
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	<a href="http://www.fuyaogroup.com">http://www.fuyaogroup.com</a>
E-mail	600660@fuyaogroup.com
Principal place of business in Hong Kong	Room 1907, Shun Tak Centre, West Tower, 200 Connaught Road, Central, Hong Kong
Custodian of A shares	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Business address	No. 188 Yanggao South Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited
Business address	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

## Section III Corporate Profile and Principal Financial Indicators

### IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Media and website on which the annual report of the Company is available	Shanghai Securities News, China Securities Journal and Securities Times
Website of the stock exchange on which the annual report of the Company is published	SSE: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place of inspection of the annual report of the Company	Secretarial Office of the Board of Directors of the Company, District II of Fuyao Industrial Zone, Fuqing City

### V. INFORMATION ON THE COMPANY'S SHARES

Class of shares	Information on the Company's Shares		Stock code
	Stock exchange on which shares are listed	Stock abbreviation	
A Shares	SSE	FUYAO GLASS	600660
H Shares	Hong Kong Stock Exchange	FUYAO GLASS	3606

### VI. OTHER RELEVANT INFORMATION

Auditors engaged by the Company (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
	Office address	42nd Floor, Qiantan Center, No. 588 Dongyu Road, Pudong New District, Shanghai
Auditors engaged by the Company (overseas)	Name of signing accountants	Zheng Jiayan, Zang Chengqi
	Name	PricewaterhouseCoopers
	Office address	22nd Floor, Prince's Building, Central, Hong Kong

# Section III Corporate Profile and Principal Financial Indicators

## VII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS

### (I) Principal accounting data

Unit: '000 Currency: RMB

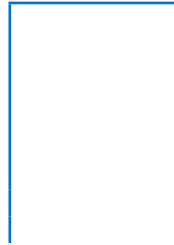
Principal accounting data	2022	2021	Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2020
Revenue	<b>28,098,754</b>	23,603,063	19.05	19,906,593
Annual profit attributable to owners of the Company	<b>4,755,033</b>	3,145,652	51.16	2,600,245
Annual profit attributable to owners of the Company, net of non-recurring profits or losses	<b>4,665,706</b>	2,815,936	65.69	2,303,990
Net cash flow generated from operating activities	<b>5,590,337</b>	5,490,396	1.82	4,849,518
	<b>As at the end of 2022</b>	<b>As at the end of 2021</b>	<b>Increase/ decrease as at the end of the Reporting Period as compared with the end of the corresponding period last year (%)</b>	<b>As at the end of 2020</b>
Equity attributable to owners of the Company	<b>29,013,638</b>	26,317,208	10.25	21,606,224
Total assets	<b>50,778,126</b>	44,796,085	13.35	38,435,332

Note: the "annual profit attributable to owners of the Company, net of non-recurring profits or losses" was prepared in accordance with the China Accounting Standards for Business Enterprises.



# Section III Corporate Profile and Principal Financial Indicators

## (II) Principal financial indicators



## Section III Corporate Profile and Principal Financial Indicators

### (II) Explanation on the differences under 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, with its A shares listed on the SSE, is also required to prepare financial statements in accordance with the China Accounting Standards for Business Enterprises. There are differences 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 established by the Group in the Hong Kong Special Administrative Region, made provision for impairment with respect to the differences between recoverable amounts and carrying amounts of buildings and lands use rights in previous years. The provision for long-term asset impairment was subject to the "Accounting Standards for Business Enterprises No. 8 – Assets Impairment" issued by the Ministry of Finance on February 15, 2006. Upon recognition, the loss on asset impairment of the Group shall not be reversed in subsequent accounting periods. Under the International Financial Reporting Standards, the loss on asset impairment, excluding goodwill, recognized in previous periods should be reversed as there have changes in the estimates used by the Group for determining the recoverable amounts of assets since the last recognition of loss on impairment. The differences 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 the buildings and land use rights within their useful lives, thus resulting in the adjustments above.

### IX. PRINCIPAL FINANCIAL DATA FOR THE YEAR OF 2022 BY QUARTER

Unit: '000 Currency: RMB

	First Quarter (From January to March)	Second Quarter (From April to June)	Third Quarter (From July to September)	Fourth Quarter (From October to December)
Revenue	6,547,759	6,355,940	7,536,370	7,658,685
Annual profit attributable to owners of the Company	871,053	1,510,576	1,518,772	854,632
Annual profit attributable to owners of the Company, net of non-recurring profits or losses	855,588	1,454,715	1,504,603	850,800
Net cash flow generated from operating activities	1,277,902	1,590,242	1,219,483	1,502,710

Notes:

- The above financial data by quarter was unaudited.
- The "annual profit attributable to owners of the Company, net of non-recurring profits or losses" was prepared in accordance with the China Accounting Standards for Business Enterprises.

## Section III Corporate Profile and Principal Financial Indicators

### X. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS (PREPARED IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

Unit: Yuan Currency: RMB

	<b>Amount for the year of 2022</b>	Amount for the year of 2021	Amount for the year of 2020
<b>Non-recurring profit or loss items</b>			
Profit or loss from disposal of non-current assets	<b>-127,946,902</b>	-103,003,542	-67,154,040
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 standards required by national policies	<b>215,071,387</b>	242,337,506	352,820,556
Capital occupancy fee from non-financial enterprises recognized through current profit or loss	<b>1,997,973</b>	25,149,971	33,351,987
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 income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment, other than effective hedging activities related to normal business operations of the Company	<b>-18,397,177</b>	41,253,695	68,230,043
Reversal of impairment provision for receivables and contract assets tested for impairment on individual basis	<b>1,545,494</b>	3,217,440	
Other non-operating income and expenses apart from the aforesaid items	<b>39,596,038</b>	160,300,053	-14,764,811
Less: Effects of income tax	<b>21,045,640</b>	38,974,925	74,969,953
Effects of minority interests (after tax)	<b>931,183</b>	48,866	727,656
Total	<b>89,889,990</b>	330,231,332	296,786,126

## Section III Corporate Profile and Principal Financial Indicators

### XI. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of items	Opening balance	Closing balance	Changes in the Reporting Period	Impact on profit for the Reporting Period
Trading equity instruments	6,320,181	<b>7,396,158</b>	1,075,977	-2,033,177
Short call on foreign exchange	–	–	–	-16,364,000
Equity of unlisted companies measured at fair value through other comprehensive income	69,320,755	<b>77,566,743</b>	8,245,988	–
Notes receivable measured at fair value through other comprehensive income	<u>1,114,012,365</u>	<u><b>1,138,128,166</b></u>	<u>24,115,801</u>	<u>-12,840,733</u>
Total	<u>1,189,653,301</u>	<u><b>1,223,091,067</b></u>	<u>33,437,766</u>	<u>-31,237,910</u>

Note: Trading equity instruments represent the shares obtained by subsidiaries from clients' debt restructuring and allocation.

# Section IV Report of the Board of Directors

## I. BUSINESS REVIEW

### (I) Review of the business of the Company

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 its business ecological chain and responds to the ever-changing demand of customers systematically, professionally and rapidly, thus creating value for its customers. Fuyao is a green development en2 (5 Td[(syst( is)14 ( aa ( and)14.1 (31028stomers)(systematically)14 (ystematicallyers)15.2ia )7.3 ( c

## Section IV Report of the Board of Directors

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

Most of the revenue of the Company is generated from the design and supply of high quality automotive glass and the provision of relevant services. The Company also produces and sells float glass which is the primary raw material for manufacturing automotive glass as well as automotive accessories. The table below sets forth a summary of financial ratios for the periods and as at the dates indicated:

Financial indicators	Year ended December 31		
	2022	2021	2020
Revenue growth <sup>(1)</sup>	19.05%	18.57%	-5.67%
Growth in annual profit <sup>(2)</sup>	51.23%	20.96%	-10.34%
Gross profit margin <sup>(3)</sup>	32.73%	34.95%	35.35%
Interest and net profit before tax margin <sup>(4)</sup>	20.88%	17.53%	17.40%
Annual profit margin <sup>(5)</sup>	16.91%	13.31%	13.05%
Return on equity <sup>(6)</sup>	16.39%	11.95%	12.03%
Return on total assets <sup>(7)</sup>	9.36%	7.02%	6.76%
Gearing ratio <sup>(8)</sup>	42.89%	41.28%	43.79%
Turnover period of trade receivables <sup>(9)</sup>	79	81	86
Inventory turnover period <sup>(10)</sup>	95	92	94

Notes: (1) Revenue growth = (revenue for the period ÷ revenue for the previous period - 1) × 100%; (2) Growth in annual profit = (annual profit for the period ÷ annual profit for the previous period - 1) × 100%; (3) Gross profit margin = (gross profit for the period ÷ revenue) × 100%; (4) Interest and profit before tax margin = (sum of interest and profit before tax for the period ÷ revenue) × 100%; (5) Annual profit margin = (annual profit for the period ÷ revenue) × 100%; (6) Return on equity = (annual profit attributable to owners of the Company for the period ÷

# Section IV Report of the Board of Directors

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

### (I) The Industry landscape and development trend

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production volume and sales volume in 2022 amounted to 27.021 million units and 26.864 million units, representing year-on-year increases of 3.4% and 2.1%, respectively. As of 2022, China has ranked first in the world for fourteen consecutive years in terms of automobile production volume and sales volume.

For the automobile industry, in the short term, the automobile market is recovering, but on an unstable foundation. On the one hand, the instabilities in the global automobile supply chain increased, and the lurk of uncertainties in the automotive market; on the other hand, with the gradual growth of residents' income amid gradual improvement of the domestic Pandemic prevention and control situation, the national and local governments have introduced and implemented various policies to promote automobile consumption, such as optimising purchase restriction policies, conducting a new round of automobile subsidies for rural areas, trade-ins, support for car park construction and other policies to stimulate automobile consumption, leading to the gradual pick-up of automobile consumption and the accelerating recovery of the automobile market.

In terms of the global automobile industrial structure, the proportion of developing countries in new automobile production and automobile ownership has been increasing, resulting in their greater influence; but there is still a tremendous gap between developing countries and developed countries in terms of automobile popularisation. In 2022, the automobile ownership per 100 population reached over 50 units in developed countries including the US, Japan and Germany, while in developing China, it was only approximately 22 units, much lower than that in major developed countries. In terms of China's population, the percentage of middle-income groups and GDP per capita, there is still growth potential in China's automobile consumption and great room for development in the industry that provides accessories for the automobile industry in the medium and long term.

The automobile is developing towards the trend of "being electric, connecting to network, being intelligent, and sharing with others" (new four modernizations) and the automobile industry has now entered a new stage of development characterized by diversified demands and an optimized structure. The penetration rate of new energy vehicles is increasing and smart vehicles have been made available in everyday use. Vehicles have transformed from simple transportation tools to "intelligent mobile terminal". Due to the development of new four modernizations, more and more new technologies are also being integrated into automobile glass. It puts forward new requirements for automobile glass and also provides new opportunities for the development of the automobile glass industry. Accordingly, automotive glass has developed towards "safety and comfort, energy conservation and environmental friendliness, beautiful appearance, and intelligence and integration" with growing share of the added value products such as smart and panoramic skylight glass, dimmable glass, head-up display glass and ultra-inoculation glass. 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 stable room for development for the industry in the medium and long run.

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

# Section IV Report of the Board of Directors

## (II) Development strategy of the Company

Leveraging the culture and talent of techniques and innovation, the Company has systemically established sustainable competitive advantages and profitability for “Fuyao” to become a transparent and reliable company for customers, shareholders, employees, suppliers, government, distributors and the society in the long run.

The plan of the Company is:

1. To extend the boundary of “a piece of glass”, strengthen the study on glass intelligence and the trend of glass integration, continue to promote the aluminum trim business and provide more comprehensive product solutions and services to automobile factories and ARG users.
2. To continue to play the leading role of sales, and improve sales management mechanism, continuously expand new market and new clients and promote the development of Fuyao.
3. To continuously promote the operating management mode of “combining moral standing, product, quality and taste on the driving forces of humanity and innovation” to achieve the quality goal of “advanced capabilities, high robustness and excellent performance” and promote the development of the Company.
4. To deepen comprehensively digital lean management from different aspects, advance automation and informatisation and improve quality and efficiency, save energy and reduce costs, to enhance the anti-risk capacity of the enterprise.
5. To improve the process and incentive mechanism of management innovation and technological innovation with a customer-oriented, market-oriented and product-oriented approach to achieve development driven by technology.
6. To further comprehensively strengthen management system combining intensive capital with budget, so as to ensure the maximization of capital efficiency.
7. To operate globally. The Company is undergoing transformation and upgrading in respect of organizational structure, corporate culture, investment and talent recruitment to improve its ability to provide services and create value for customers worldwide.
8. To carry forward the core values of “diligence, simplicity, learning and innovation”, maintain a stable team, develop and introduce talents, pursue coordinated development, establish an international and high-quality talent team with emphasizing mission, responsibilities and performance, laying human resources foundation for the transformation and upgrading and high quality development of Fuyao.
9. To continue the construction of “Digital Green Factories” and optimise the industry structure and energy structure that leads the industry, so as to make Fuyao a benchmark enterprise with high quality development that is “steady, innovative and green”.



## Section IV Report of the Board of Directors

### Opportunities for the Company:

1. With the upgrade of product consumption and technical progress, there is a growing demand for high value-added products, which provides new development opportunities for Fuyao. Shifting away from product operation to brand operation, Fuyao focuses on providing integrated total solutions and its corporate value has been on the rise.
2. The reasonable capital structure, sufficient cash flows, stable finance and exceptional operating capability of the Company have laid a good foundation for the sustainable development of the Company.
3. Its strong research and development capabilities and flexible production capacity enable the Company to make quick response to the high requirements of design, development and mass production under the new four modernizations of vehicles.
4. Its reasonable overseas presence and relocation of production and operation bases to serve international customers can provide faster and more valuable services for the Company's development in overseas markets and constantly enhance the ability of customer services.
5. The Company has expanded its presence along the industry chain to the automotive decoration business, which not only solves the demand for necessary decorations for automotive glass integration, but is also conducive to the extension of the Company's business, which will create synergy between the automotive decoration business and the automotive glass business, further enhancing the cooperation stickiness between the Company and the automotive plant.
6. The Company has established a global presence, which enables it to cope with challenges brought about by changes in the international landscape.

### Challenges faced by the Company:

1. The complex world's economic and political situations, ongoing risks and uncertainties, will bring challenges to the Company's operations.
2. In the information age, customers have growing requirements for response speed, which leads to higher requirements on the service and management level, the intelligence level and collaborative ability of the Company.
3. As the tendency of the new four modernizations of automobiles is highlighted, more and more new technologies are being integrated into automotive glass, and the upgrade of product consumption and technical progress pose new requirements on automotive glass and challenges on the Company's technological development.
4. To cope with its globalized operation and development, the Company is required to embrace the challenges in relation to, among others things, adapting to cultural differences, compliance with laws and arrangement of manpower in the countries it operates.

# Section IV Report of the Board of Directors

## (III) Business plan

The global economy will remain tough in 2023. With the slackening of the economies of developed countries in Europe and the US and further reductions in consumer demand, the development for the year may be hampered by the unknown time required for the restoration of supply chain stability, the expected rise in credit risk of society. In this regard, Fuyao will be prudent in every step of its operation:

1. to keep improving its excellent operational system, strengthen its market expansion efforts, coordinate global capacity planning and service capability building, and build a global competitive advantage through its excellent operational system.
2. to implement the IPD integrated development model, drive new businesses development through product lines, integrate and innovate and grow stronger in the three major areas of automotive glass, intelligent trims and aluminium parts.
3. to promote the construction of “Digital Green Factories” and optimise the industry structure and energy structure that leads the industry.
4. to enhance team awareness, improve organisational effectiveness, maintain a modest, studious and prudent style, build a first-class talent team and improve the sense of achievement of the staff, with the help of digitisation and process standardisation.

In order to accomplish its business plan and goals for the year of 2023, the Company expects its funding needs throughout 2023 will be RMB37,139 million, of which operating expenditure, capital expenditure and payments of cash dividends will be RMB27,500 million, RMB6,377 million and RMB3,262 million, respectively. The Company plans to satisfy the funding needs through acceleration of collection of trade receivables and inventory turnover, optimization of the utilization of balance of funds, borrowings from financial institutions or issuance of debentures. In 2023, the Company will continue to enhance comprehensive budget management, accelerate the collection of trade receivables, strictly control exchange risks and optimize capital structure, thereby enhancing the security and effectiveness of capital management.

The above-mentioned business plan is mapped out based on the Company's understanding of the current economic and market conditions and the position of the Company and therefore does not constitute a performance guarantee or substantive commitment by the Company to investors. Investors should

# Section IV Report of the Board of Directors

## (IV) Potential risks

1. Risks associated with economic, political and social conditions, government policies and wars

About 50% of the Company's revenue is derived from the operations in the PRC and another 50% from overseas operations. Therefore, the operating results, financial status and prospects of the Company are susceptible to changes in, among others, the economy, politics, policies, laws and wars. As the Chinese economy is in the stage of transformation and upgrading, the operations of the Company in the PRC might be affected. In addition, geopolitical conflicts, wars will deepen the impact on the economy and industry. In response, the Company will put more efforts in technological innovation, enhance the organization management, build new culture of Fuyao, strengthen its position in aftersales service market, ensure stable and healthy development in the PRC market and exploit the advantages of its global presence.

2. Risks associated with 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. 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 smart and panoramic skylight glass, dimmable glass, head-up display glass and ultra-insulation glass, as well as providing more comprehensive product solutions and services to customers worldwide.

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 adopts 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.

## Section IV Report of the Board of Directors

### 4. Risks associated with cost fluctuations

The costs of automotive glass of the Company mainly comprise of raw materials of float glass, PVB raw materials, labor, electricity and manufacturing costs, while the costs of float glass mainly include sodium carbonate, natural gas fuel, labor, electricity and manufacturing costs. The Company is exposed to the risk of cost fluctuations due to fluctuations in international commodity prices, changes in supply and demand in the natural gas market, changes in production capacity in the soda ash industry and changes in demand for soda ash from the boom in the glass and alumina industries, and rising labour costs. 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.
- (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 through setting up plants in Europe and the US for 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 intellectual 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 Company's oversea sales business has accounted for around 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 Europe and the US for production and sale in those regions while avoiding risks arising from the fluctuations in exchange rates, so as to keep the risks at a controllable level.

## Section IV Report of the Board of Directors

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 where 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 demands 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, the operation and management of core business are all backed by and realized through information systems. In case of external attack or 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 may 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 storage, etc., and install hardware firewalls to ward off the trespass of hackers into internal sources through protection vulnerabilities; (2) conduct attack and defense drills and internet penetration 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 any abnormal situation as it happens, carry out countermeasures automatically and ensure data security; (4) establish crisis awareness to guard against all kinds of cyber risks, enhance the cyber security consciousness of the entire staff and regulate their online behaviors, establish information security management system and operational specifications, so as to improve the capability of resisting and avoiding harmful information on the Internet.

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 system information encryption and desktop virtualization. On the one hand, the Company has the core information encrypted so that copied files or data cannot be opened outside the enterprise network, which will in turn guarantee information security. On the other hand, it has paced up in the construction of visualized desktop for the R&D department, design department and other nucleus departments and carries out concentrated corporate storage of core information assets so as to reduce the possibility of individual storage and information dissemination. In addition, the Company has also adopted the model of integrated software and hardware, formulated three-layered security measures for the avoidance of information leakage and has regulated the download, copy and utilization of important files. Clear demarcation has been made among data, files, technical documents, intranet, internet, and VPN, and corresponding protection measures have been adopted.

## Section IV Report of the Board of Directors

### 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 in terms of both depth and breadth, 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. Therefore, the Company first upholds the "resource conserving and eco-friendly" concept and has been implementing this 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 have satisfied the top-notch standards in the world in respect of materials, process, technology, equipment, energy saving, environmental protection and functional performance; second, 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; third, the Company exerts strict internal monitoring and assessment of the comprehensive implementation of various measures and objectives for environmental protection work.

### III. RESULTS

Please refer to "Consolidated Income Statements" of "Section XI Financial Report" for details of the annual results of the Company for the year ended December 31, 2022. Please refer to "Section XII Business Performance Highlights for the Previous Five Years" for details of the summary of the results of the Company for the last five financial years.

### IV. DIVIDEND AND REDUCTION AND EXEMPTION OF DIVIDEND TAX

The profit distribution plan for the year of 2022 as proposed by the Company is as follows: Based on the total number of shares registered on the record date in respect of the equity distribution for the year of 2022, the Company proposes to distribute cash dividends to the holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of the equity registration for the year of 2022, with a cash dividend of RMB1.25 (tax included) per share, and the remaining undistributed profits of the Company will be carried forward to the following year. As of 31 December 2022, the total number of shares of the Company was 2,609,743,532, base on which, the total cash dividend proposed to be distributed was RMB3,262,179,415 (tax inclusive). The aforesaid amount of cash dividend proposed to be distributed accounted for 68.60% of the net profit attributable to common shareholders of the parent company in the consolidated financial statements of the year prepared by the Company in accordance with the China Accounting Standards for Business Enterprises. The Company will not carry out bonus issue and conversion of capital reserve into share capital for the year of 2022. Cash dividends distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

If the total number of shares of the Company changes between the date of disclosure of such profit distribution plan and the record date for the implementation of profit distribution, the Company proposes to maintain the distribution ratio per share unchanged and make adjustment to the total distribution accordingly. The details of adjustments will be published separately.

Subject to the approval of the 2022 profit distribution plan of the Company by shareholders at the forthcoming general meeting, the cash dividends will be paid within two months from the closing of the general meeting in accordance with the Articles of Association. Based on the existing working schedule of the Company, the dividends are expected to be paid on or before June 26, 2023. In the case of any change in the payment date mentioned above, the Company will make an announcement in a timely manner. The Company will announce the details regarding other specific matters on dividend distribution in due course.

For details of the formulation, implementation of, and adjustment to, the cash dividend policy of Company and the special description for cash dividend policy, please refer to "XXIII. Profit Distribution Plan for Ordinary Shares or Plan to Convert Capital Reserve into Share Capital" of "Section VI Company Governance and Corporate Governance Report".

## Section IV Report of the Board of Directors

### Holders of A shares

In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) (《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for shares of listed companies acquired by individuals from public offerings or transfer of shares in the market, where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax; where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income and where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For dividends distributed by listed companies, where the period of individual shareholding is within one year (inclusive), the listed companies shall not withhold the individual income tax temporarily. The tax payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with the duration of its holding period. Custodian of shares including securities companies will withhold the amount from individual accounts and transfer the tax to China Securities Depository and Clearing Corporation Limited. China Securities Depository and Clearing Corporation Limited shall transfer the tax to the listed companies within 5 working days of the next month, and the listed companies shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period of that month.

Resident enterprise shareholders of A shares shall report and pay for the enterprise income tax of dividends by themselves.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice of the State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)). QFII shareholders entitled to preferential tax treatment under tax treaties (arrangements) shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they receive the dividends, and tax rebates will be executed under tax treaties upon verification carried out by competent tax authorities.

For non-resident enterprise shareholders of A shares except the above-mentioned QFII, listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Tentative Measures for Administration of Withholding at the Source of Income Tax of Non-resident Enterprises (Guo Shui Fa [2009] No. 3) (《非居民企業所得稅源泉扣繳管理暫行辦法》(國稅發[2009]3號)) and the Response of the State Administration of Taxation Concerning Questions on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)). Non-resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

## Section IV Report of the Board of Directors

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the Shenzhen Stock Exchange, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

### Holders of H shares

In accordance with the requirements of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the dividends for the year ended December 31, 2022 to overseas individual shareholders whose names appear on the register of members of H shares of the Company.

Pursuant to the requirements of the Notice of the State Administration of Taxation on Matters Concerning Withholding Enterprise Income Tax When China Resident Enterprises Distribute Dividends to Foreign Non resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), distributing dividends to foreign non-resident enterprise shareholders of H shares for 2008 and for the years onwards shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Upon receipt of such dividends, an overseas non resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shanghai-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shanghai-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.



## Section IV Report of the Board of Directors

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shenzhen-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months could be exempted from enterprise income tax according to law.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

### V. UTILISATION 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) (《關於核准福耀玻璃工業集團股份有限公司增發境外上市外資股的批覆》(證監許可[2021]1495號)), the Company completed the issuance of 101,126,000 additional overseas listed foreign shares (H shares) at a placing price of HKD42.90 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 received by the Company amounted to HKD4,312.78 million. As at December 31, 2022, the utilization of proceeds from H share offering of the Company is as follows:

Unit: HKD million

Proposed use of the proceeds	Planned use of the net proceeds	Utilized net proceeds	Unutilized net proceeds as at 31 December, 2022	Expected timeline of use of the proceeds
Replenishment of working capital and optimization of the capital structure of the Group	2,587.67	1,757.61	830.06	From 2023 to 2024
Repayment of interest-bearing debts	646.92	646.92	0	
Investment in R&D projects	646.92	646.92	0	
Expansion of photovoltaic glass market and general corporate use	431.27	209.45	221.82	From 2023 to 2024
Total	<u>4,312.78</u>	<u>3,260.90</u>	<u>1,051.88</u>	

# Section IV Report of the Board of Directors

## VI. CONNECTED TRANSACTIONS

Please refer to “VI. Substantial Connected Transactions” of “Section VIII Significant Events” for the details of the connected transactions of the Company.

## VII. DONATION

During the Reporting Period, the total external donations of the Group amounted to RMB1,396,300.

## VIII. PROPERTY, PLANT AND EQUIPMENT

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

## IX. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Please refer to Note 10 “Investments Accounted for Using The Equity Method” and Note 37 “Subsidiaries” of “Section XI Financial Report” for the details of the interests of the Company in major subsidiaries, joint ventures and associates as at December 31, 2022.

## X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to “V. Directors, Supervisors and Senior Management” of “Section VI Company Governance and Corporate Governance Report” for details.

## XI. PERMITTED INDEMNITY PROVISION

As at December 31, 2022, the Company maintained directors’, supervisors’ and senior management members’ liability insurance for all of its directors, supervisors and senior management members.

## XII. MANAGEMENT CONTRACTS

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

## XIII. DISCLOSURE OF INTERESTS

Please refer to “Section IX Changes in Shares and Information of Shareholders” for the details of the disclosure of interests of directors, supervisors, chief executives and substantial shareholders of Company.

## Section IV Report of the Board of Directors

### XIV. PURCHASE, DISPOSAL OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

No purchase, sale or redemption of any listed securities of the Company or its subsidiaries was made during the Reporting Period, except for the bond issuance described in “Section X Relevant Information on Bonds” in this report.

### XV. MINIMUM PUBLIC FLOAT

As at the Latest Practicable Date, according to the publicly available information and to the best knowledge of the directors of the Company, the Company has met the requirements about the minimum public float in Rule 8.08 and Rule 13.32 of the Hong Kong Listing Rules.

### XVI. ISSUANCE OF SHARES

Please refer to “Section IX Changes in Shares and Information of Shareholders” for the details of the issuance of shares by the Company.

### XVII. RESERVES AND DISTRIBUTABLE RESERVE

Pursuant to the Company Law, undistributed profit could be distributed as dividends after allocation is made to the statutory surplus reserve. According to the requirements of the Articles of Association, when the Company is to distribute its profit after tax in the relevant accounting year, the profit after tax shall be deemed to be the lesser of the amounts stated in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards. Under the International Financial Reporting Standards, the undistributed profit of the Company as at the end of 2022 amounted to RMB7,829 million.

### XVIII. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant PRC laws, regulations and rules, according to which the Company would be obliged to offer new shares on a pro rata basis to its existing shareholders. Meanwhile, the Company currently does not have any share option arrangements.

### XIX. BANK BORROWINGS AND OTHER LOANS

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

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

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. Please refer to “Section VI Company Governance and Corporate Governance Report” for the details of the corporate governance of the Company.

### XXI. FULFILMENT OF SOCIAL RESPONSIBILITY

The Company has prepared and disclosed the 2022 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. pursuant to the relevant requirements of the SSE. Meanwhile, the 2022 Environmental, Social and Governance Report will also be prepared and disclosed by the Company pursuant to Appendix 27 of the Hong Kong Listing Rules. The aforesaid reports and 2022 Annual Report for A Shares and 2022 Annual Results Announcement for H Shares will be published on the same day.

# Section IV Report of the Board of Directors

## XXII. RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

## Section IV Report of the Board of Directors

### XXIII. ENVIRONMENTAL MATTERS

The Group complies with a broad range of environmental laws and regulations in countries in which it operates, including those governing project approvals, waste gas emissions, wastewater discharge, noise control and the management and disposal of hazardous waste, and the laws, regulations and standards governing the management and disposal of general industrial solid wastes.

The major pollutants from the production process of the Group include waste gas, wastewater, powder and dust, noise of factories and wastes, the emissions of which are in compliance with national and local environmental laws, regulations and standards. In order to minimize the environmental impact of pollutants generated in the process of production on the basis of meeting the compliance conditions, the Group has considered the application of environmental protection materials, equipment, environmental protection facilities and measures from the project design stage, mainly including: (1) installation of fluorodenitration and dedusting equipment on float glass kilns for waste gas treatment; (2) use of clean energy by replacing heavy oil with natural gas as the production fuel for float glass; (3) installation of reclaimed water recycle system for cyclical use of water in the production process of all subsidiaries; (4) installation of photo-oxygen catalytic devices, activated carbon devices and spray devices in companies producing automotive glass to reduce the waste gas emissions; (5) use of low-noise equipment and facilities, sound insulation facilities and acoustic materials to reduce noise effectively; (6) formulation of the Waste Management Regulations to regulate the management of hazardous wastes and general industrial solid wastes, and entrustment of qualified third parties to handle hazardous wastes and general industrial solid wastes; (7) installation of online monitoring instruments that are networked with the governmental developments for float glass flue gas emission to upload real time data to environmental authorities, while we engage qualified testing entities to conduct data comparison on a regular basis as required to ensure the authenticity and validity of the uploaded data; (8) online monitoring of non-methane hydrocarbons and wastewater for automotive glass pollutants is implemented by some subsidiaries – the monitoring equipment is networked with the Environmental Protection Bureau, and units that failed to realize online monitoring shall conduct detection of environmental hazard factors at least once a year; (9) purchase of noise detection equipment by each subsidiary on its own to monitor noise of factories on a regular or irregular basis; (10) implementation of the approval of clean production by each subsidiary earnestly; (11) preparation and filing of contingency plans for each subsidiary; (12) preparation of the environmental monitoring plan, implementation of environmental monitoring and active acceptance of the supervision of the environmental protection authorities by each subsidiary; (13) strict implementation of “Three-Simultaneous” for environmental protection and authorization of qualified units to carry out environmental impact assessments by all subsidiaries before new construction, reconstruction, and expansion projects; (14) continuous improvement of the implementation of environmental protection within the Company by each subsidiary in accordance with the Company’s ISO14001:2015 system.

As at the end of the Reporting Period, the Group was not subject to any material claims, lawsuits, penalties or administrative punishments relating to environmental protection arising from environmental matters.

# Section IV Report of the Board of Directors

## XXIV. OCCUPATIONAL HEALTH AND SAFETY MATTERS

The Group strictly complies with national and local safety laws, regulations and standards, and ensures the safe production of each subsidiary through the implementation of ISO45001:2018, safety standardization, potential hazards inspection and risk control, and the NOSA safety, health and environmental protection system, which mainly include: (1) the Group establishing a safety production management body responsible for monitoring the implementation of the occupational health and safety management provisions and standards of each subsidiary to ensure the safe and healthy production of each subsidiary; (2) each subsidiary establishing a subsidiarbsio

# Section V Management Discussion and Analysis

## I. DISCUSSION AND ANALYSIS ON OPERATION RESULTS

As a worldwide 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 the wisdom and care of the Fuyao staff and provided global automobile users with intelligent, safe, comfortable, environment-friendly and trendy, total solutions relating to automotive safety glass and automotive decoration, aiming at making the in-vehicle experience of drivers and passengers more enjoyable.

In 2022, the global business environment kept deteriorating. The economic slowdown in Europe and the United States and the breakage of supply chains led to rising transportation, energy and material prices, and serious

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

1. Creating customer value and enhancing its anti-risk ability: the Company adhered to its customer-oriented approach, promoted the end-to-end whole value stream from business to service, accelerated market responsiveness, enhanced customer stickiness, and met customer needs in a more agile and efficient manner, resulting in the Company's automotive glass revenue outperforming the automotive industry and enhancing its ability to resist market risks.
2. Fuyao's global layout strengths: the Company leveraged the strengths of its global production bases to create a global competitive advantage with high cost-performance products, stable quality assurance and 24/7 supply assurance.
3. Focusing on both technical innovation and management innovation: the Company was committed to technical and management innovation, grasped the new four modernisation trend of the automotive industry, fully applied cross-border technologies in glass carriers, provided total solutions to customers, and guaranteed the sustainable growth of the Company's business with its intellectual property and supply ecosystem. The proportion of high value added products, such as smart and panoramic skylight glass, dimmable glass, head-up display glass, ultra-insulation glass, lightweight ultra-thin glass, coated heatable glass continued to increase, representing an increase of 6.21 percentage points as compared with same period last year, reflecting their value.
4. Improving quality, increasing efficiency and reducing costs: the Company insisted on informationisation, standardisation and digitisation as means to continuously promote lean operation, strengthen internal control and leverage comprehensive budgeting to implement measures for comprehensive cost control and promote the improvement of quality and efficiency and the reduction of costs of the whole industry chain.
5. Steady promotion of green development: the Company continued to build green factories, and orderly promoted "green supply chain, clean production, utilisation of waste materials as resources and low carbon energy" to save energy and reduce consumption and achieve sustainable development of the Company.
6. Enhancing the foundation for the development: the Company carried forward the core values of "diligence, simplicity, learning, innovation"; attracted and developed talents with an open and inclusive mind; improved organisational efficiency and value creation capabilities to enhance the Company's development foundation.



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### II. INDUSTRY IN WHICH THE COMPANY IS OPERATING DURING THE REPORTING PERIOD

The automotive industry is still facing uncertainties in the short term; however, as a supporting industry of the automobile industry, there is still stable room for development of the industry in which the Company is operating in the medium and long run. For details, please refer to "II. Discussion and analysis on the future development of the Company – (I) Industry landscape and development trend" in "Section IV Report of the Board of Directors".

### III. BUSINESS CARRIED OUT BY THE COMPANY DURING THE REPORTING PERIOD

For detailed information, please refer to "I. BUSINESS REVIEW" in "Section IV Report of the Board of Directors".

### IV. 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 intelligentization of "Industry 4.0".
4. Fuyao has built a relatively comprehensive industrial ecology, such as sand mineral resources, quality float technology, research and development of process and equipment, 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 V Management Discussion and Analysis

### V. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

As at December 31, 2022, the total assets of the Company amounted to RMB50,778,126,000, representing an increase of 13.35% as compared with the beginning of the year; the total liabilities amounted to RMB21,779,200,000, representing an increase of 17.78% as compared with the beginning of the year; the equity attributable to the owners of the Company amounted to RMB29,013,638,000, representing an increase of 10.25% as compared with the beginning of the year.

During the Reporting Period, the Company realised revenue of RMB28,098,754,000, representing a year-on-year increase of 19.05%; realised annual profit attributable to the owners of the Company of RMB4,755,033,000, representing a year-on-year increase of 51.16%; realised annual profit attributable to the owners of the Company, net of non-recurring profit or loss of RMB4,665,706,000, representing a year-on-year increase of 65.69%; and realised earnings per share of RMB1.82, representing a year-on-year increase of 47.97%.

#### (I) Analysis of principal business

1. Analysis of changes in relevant items in the income statement and cash flow statement

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Percentage of change (%)
Revenue	28,098,754	23,603,063	19.05
Cost of sales	18,901,092	15,352,658	23.11
Distribution costs and selling expenses	1,350,721	1,150,992	17.35
Administrative expenses	2,152,007	1,953,523	10.16
Finance costs – net	25,388	150,103	-83.09
Research and development expenses	1,248,593	997,203	25.21
Other gains/(losses) – net	925,649	-444,134	Not applicable
Net cash generated from operating activities	5,590,337	5,490,396	1.82
Net cash used in investing activities	-7,353,305	-1,676,064	338.72
Net cash flow generated from/ (used in) financing activities	-1,235,883	1,951,817	Not applicable

## Section V Management Discussion and Analysis

Reason for the change in revenue: the increase in revenue was mainly due to the Company's increased marketing efforts and increase in the proportion of high value-added products.

Reason for the change in cost of sales: the increase in cost of sales was mainly due to the increase in revenue and the impact of the rise in materials and energy.

Reason for the change in distribution costs and selling expenses: the increase in distribution costs and selling expenses was mainly due to the increase in revenue and the corresponding increase in expenses such as packaging expenses.

Reason for the change in administrative expenses: the increase in administrative expenses was mainly due to the increase in staff salaries.

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

Reason for the change in research and development expenses: the increase in research and development expenses was mainly due to the Company's further strengthening of R&D project management, continuous R&D innovation, and promotion of technology upgrading and the increase of product added value.

Reason for the change in other gains/(losses) – net: the change in other gains/(losses) – net was due to the exchange gain of RMB1,045 million arising from exchange rate fluctuations during the Reporting Period, compared with an exchange loss of RMB528 million in the same period of last year.

Reason for the change in net cash generated from operating activities: the slight increase in net cash generated from operating activities was mainly due to the increase in cash paid for the purchase of goods and services being significantly higher than the increase in cash received for the sale of goods and services due to the increase in purchase prices for materials and energy.

Reason for the change in net cash used in investing activities: the increase in net cash flow used in investing activities was mainly due to the increase in capital expenditure and time deposits of RMB 4.743 billion to be held-to-maturity during the Reporting Period.

Reason for change in net cash (used in)/generated from financing activities: the change in net cash (used in)/generated from financing activities was mainly due to the net proceeds from the placement of additional H shares in the same period of last year, which was equivalent to RMB3,579 million.

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### (2) Analysis of production and sales volumes

Principal products	Unit	Production volume	Sales volume	Inventory	Change in production volume as compared with last year (%)	Change in sales volume as compared with last year (%)	Change in inventory as compared with last year (%)
Automotive glass	million square meters	131.04	127.14	15.34	7.01	7.33	7.58
Float glass	'0,000 tons	174.65	161.69	36.19	22.78	13.18	47.32

Note to production and sales volumes

Production volume refers to that of finished goods.

### (3) Costs analysis

Unit: '000 Currency: RMB

By products	Cost structure	Amount for the period	Amount for the period accounting for total costs (%)	Amount for the corresponding period last year	Amount for the corresponding period last year accounting for total costs (%)	Change in the amount for the period as compared with the corresponding period last year (%)
Automotive glass	Raw and auxiliary materials	11,435,996	62.98	9,296,832	61.63	23.01
Automotive glass	Costs of energy	1,030,360	5.67	871,258	5.78	18.26
Automotive glass	Costs of labor	2,548,774	14.04	2,152,684	14.27	18.40
Automotive glass	Others <sup>(Note)</sup>	3,141,585	17.31	2,763,402	18.32	13.69
Float glass	Raw and auxiliary materials	1,206,601	35.70	867,263	33.11	39.13
Float glass	Costs of energy	1,135,855	33.61	809,482	30.91	40.32
Float glass	Costs of labor	228,744	6.77	216,820	8.28	5.50
Float glass	Others <sup>(Note)</sup>	808,181	23.92	725,451	27.70	11.40

Note: Others include manufacturing overhead, transportation cost, tax and surcharge, and losses for depreciation of inventories.

### (4) Changes in equity of major subsidiaries during the Reporting Period resulting in changes in the scope of merger

For details, see Note 37 "Subsidiaries" in "Section XI Financial Report".

## Section V Management Discussion and Analysis

(5) Major customers and suppliers

A. Major customers of the Company

Sales to the top five customers amounted to RMB4,988,333,300, accounting for

## Section V Management Discussion and Analysis

### 3. Expenses

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

### 4. Research and development costs

#### (1) Analysis of research and development (R&D) costs

Unit: '000 Currency: RMB

R&D costs expensed for the Reporting Period	1,248,593
R&D costs capitalised for the Reporting Period	0
Total R&D costs	1,248,593
Total R&D costs as a percentage of revenue (%)	4.44
Capitalisation percentage of R&D costs (%)	0

#### (2) Analysis of R&D staff

Number of R&D staff of the Company	4,258
Number of R&D staff as a percentage of the total number of staff of the Company (%)	14.69

#### Educational structure of R&D staff

Educational level	Number of staff
Doctoral candidate	5
Postgraduate	166
Undergraduate	2,305
Junior college	1,110
High school and below	672

#### Age structure of R&D staff

Age level	Number of staff
Under 30 years old (excluding 30 years old)	1,423
30–40 years old (including 30 years old and excluding 40 years old)	1,797
40–50 years old (including 40 years old and excluding 50 years old)	762
50–60 years old (including 50 years old and excluding 60 years old)	262
60 years old and above	14

### 5. Details of charge on assets

As at December 31, 2022, Yung Tak Investment Limited, a subsidiary of the Group, pledged a land and buildings erected thereon with a carrying amount of RMB19,162,000 as security for a credit line of HKD30 million.

## Section V Management Discussion and Analysis

### 6. Liquidity and capital sources

#### 6.1 Cash flows

Unit: '000 Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period last year
Net cash generated from operating activities	5,590,337	5,490,396
Net cash used in investing activities	-7,353,305	-1,676,064
Net cash (used in)/generated from financing activities	-1,235,883	1,951,817
Net (decrease)/increase in cash and cash equivalents	-2,998,851	5,766,149

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB5,590 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB29,141 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB16,463 million, cash paid to and paid on behalf of employees amounted to RMB5,095 million, and payment for various taxes amounted to RMB2,227 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 RMB7,353 million. In particular, cash paid to acquire and build properties, plants and equipment and other long-term assets amounted to RMB3,130 million, and time deposits to be held-to-maturity amounted to RMB4,743 million.
- (3) During the Reporting Period, net cash used in financing activities amounted to RMB1,236 million, of which, cash received from borrowings amounted to RMB14,868 million, cash used for repayment of debts amounted to RMB13,043 million; cash payment of dividend distribution and interest amounted to RMB2,908 million.
- (4) The Company will further strengthen 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 V Management Discussion and Analysis

### 6.2 Cash flow

During the Reporting Period, changes in cash flow statement and explanations thereof are as follows:

Unit: '000 Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Explanations
Proceeds from disposal of properties, plants and facilities	83,421	122,876	-39,455	-32.11	Decrease in proceeds received from disposal of properties, plants and facilities was mainly due to the receipt of the transfer price of plant in the old plant area from Chongqing Wansheng Fuyao Glass Co., Ltd (重慶萬盛福耀玻璃有限公司), a subsidiary of the Company, in the same period last year.
Proceeds from disposal of intangible assets and land use rights	-	14,952	-14,952	-100.00	Decrease in proceeds received from disposal of intangible assets and land use rights was mainly due to the receipt of the transfer price of the land in the old plant area from Chongqing Wansheng Fuyao Glass Co., Ltd (重慶萬盛福耀玻璃有限公司), a subsidiary of the Company, in the same period last year.
Purchase of properties, plants and facilities	3,061,091	2,290,122	770,969	33.66	Increase in the purchase of properties, plants and facilities was due to the increase in capital expenditures during the Reporting Period.
Purchase of land use rights	26,574	-	26,574	100.00	The changes in the purchase of land use rights was mainly due to the new purchase of land use rights by the subsidiaries during the Reporting Period.
Disposal of financial assets measured at fair value through profit or loss – net	-16,364	300,000	-316,364	N/A	Decrease in the disposal of measured at fair value through profit or loss – net was mainly due to the recovery of principal due on more principal-guaranteed structured deposits in the same period last year.

## Section V Management Discussion and Analysis

Items	Amount for the Reporting Period	Amount for the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Explanations
Purchase of financial assets measured at fair value through other comprehensive income – net	-	11,321	-11,321	-100.00	The Changes in net amount of the purchase of financial assets measured at fair value through other comprehensive income was due to the consultancy fee paid for the purchase of the 4.55% equity interest in China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. in the same period last year.
Increase in restricted cash	36,947	-	36,947	100.00	Increase in restricted funds is mainly due to the deposit of bank guarantee deposits during the reporting period.
Increase in time deposits held to maturity over 3 months	4,742,813	-	4,742,813	100.00	Time deposits held to maturity of more than 3 months are 1-year time deposits placed during the reporting period that will be held to maturity.
Government grants received relating to properties, plants and equipment	76,917	17,777	59,140	332.68	Increase in government grants received relating to properties, plants and equipment was mainly due to the increase in asset-related grants received during the Reporting Period.
Repayment of loans by related parties	145,100	-	145,100	100.00	Repayment of loans by related parties was RMB145 million repaid by Jinken Glass Industry Shuangliao Co., Ltd., an associate of the Company, during the Reporting Period.
Net proceeds from the placement of additional H shares	-	3,578,964	-3,578,964	-100.00	Changes in net proceeds from the placement of additional H shares was due to the net amount from the allotment and issuance of 101,126,000 H shares upon deducting underwriting fees and other issuance fees in the same period last year.

## Section V Management Discussion and Analysis

Items	Amount for the Reporting Period	Amount for the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Explanations
Proceeds from borrowings	14,867,851	10,742,823	4,125,028	38.40	Increase in proceeds from borrowings was mainly due to the increase in operating activities and increase in capital demands during the Reporting Period.
Repayments of borrowings	13,043,226	9,976,147	3,067,079	30.74	Increase in repayment of borrowings was mainly due to the increase in repayments of borrowings during the Reporting Period.
Payment of dividends to shareholders of the Company	2,609,744	1,957,308	652,436	33.33	Increase in payment of dividends to shareholders of the Company was mainly due to the year-on-year increase in dividends distributed during the Reporting Period.
Payment of lease liabilities	152,886	110,884	42,002	37.88	Increase in the payment of lease liabilities was mainly due to the newly leased mining site by the subsidiary during the Reporting Period.
Acquisition of equity of minority shareholders	-	5,137	-5,137	-100.00	Changes in acquisition of equity of minority shareholders was due to the expenditure for the acquisition of 40% of equity of minority shareholders of the non-wholly owned but controlled subsidiary Fujian Triplex Automobile Service Co., Ltd. (now renamed as Fujian Fuyao Automobile Glass Sales Co.,Ltd. ) in the same period last year.

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### 6.3 Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and other transformation and upgrading. During the Reporting Period, RMB3,130 million in cash was paid to acquire and build properties, plants and equipment and other long-term assets. In particular, capital expenditures of the US automotive glass project, the Shanghai automotive glass project and the Suzhou automotive glass project amounted to approximately RMB469 million, RMB347 million and RMB335 million, respectively.

### 6.4 Borrowings

During the Reporting Period, the newly-added bank borrowings amounted to RMB11,577 million; ultra-short term financing bills amounted to RMB3,293 million; repayment of bank borrowings amounted to RMB10,250 million and ultra-short term financing bills amounted to RMB2,793 million. The Company did not utilise any financial instrument for hedging. As at December 31, 2022, interest-bearing debts are set out as follows:

*Unit: '00 million Currency: RMB*

Type	Amount
Short-term borrowings with fixed interest rates	60.60
Short-term borrowings with floating interest rates	0.15
Long-term borrowings with fixed interest rates due within one year	5.02
Long-term borrowings with floating interest rates due within one year	2.90
Long-term borrowings with fixed interest rates	27.22
Long-term borrowings with floating interest rates	2.85
Medium-term notes	12.00
Ultra-short term financing bills	13.00
	<hr/>
Total	<hr/> <b>123.74</b>

*Note:* the accrued interest is not included in the above table.

## 7. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is carried out within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in U.S. dollar). To this end, the finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies to mitigate the foreign exchange risks to the largest extent. The Group may hedge foreign exchange risks by way of stepping up its globalization paces, reasonable matching of the scale of foreign currency assets and liabilities with overseas business expansion, optimizing the currency of business settlement, matching the same currency between income and expenditure, adopting appropriate exchange rate instruments and financial derivatives such as locking exchange rate, forward foreign exchange contract and currency swap contract. During the Reporting Period, foreign exchange gains of the Group amounted to RMB1,045 million as compared with foreign exchange losses of RMB528 million for the corresponding period last year.

## Section V Management Discussion and Analysis

### 8. Capital efficiency

Inventory turnover period during the Reporting Period was 95 days as compared with 92 days of the corresponding period last year, representing a year-on-year increase of 3 days, mainly due to the increase in raw and auxiliary materials and products in stock, among which, inventory turnover period for automotive glass was 68 days as compared with 64 days of the corresponding period last year; inventory turnover period for float glass was 119 days as compared with 128 days of the corresponding period last year.

The turnover period of the trade receivables during the Reporting Period was 79 days as compared with 81 days of the corresponding period last year.

The return on equity during the Reporting Period was 16.39% as compared with 11.95% of the corresponding period last year.

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

*Unit: '000 Currency: RMB*

	December 31, 2022	December 31, 2021
Total borrowings	12,412,383	10,588,440
Lease liabilities	594,676	612,480
Long-term payables	69,424	74,150
Less: Cash and cash equivalents	-12,237,862	-14,325,322
Net debts	838,621	-3,050,252
Total equity	28,998,926	26,305,296
Total capital	29,837,547	23,255,044
Gearing ratio (%)	2.81%	-13.12%

### 9. Commitments

For details, please refer to the descriptions in Note 35 "Commitments" to the "Section XI Financial Report".

### 10. Contingent liabilities

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

### 11. Events occurring after the reporting period

For details, please refer to the descriptions in Note 38 "Events Occurring after the Reporting Period" to the "Section XI Financial Report".

## Section V Management Discussion and Analysis

### (II) Analysis on assets and liabilities

#### 1. Analysis on assets and liabilities

Unit: '000 Currency: RMB

	Closing balance	The percentage of closing balance to the total assets (%)	Opening balance	The percentage of opening balance to the total assets (%)	Change in the closing balance as compared with the opening balance (%)	Explanations
Long-term receivables	316,416	0.62	461,516	1.20	-31.44	The decrease in long-term receivables was due to full repayment of the loan due from Jinken Glass Industry Shuangliao Co., Ltd. for which Jinken's assets were charged and Jinken's shares pledged in favor of the Company during the Reporting Period.
Restricted cash	38,981	0.08	2,034	0.01	1,816.47	Increase in restricted funds is mainly due to the deposit of bank guarantee deposits during the reporting period.
Held-to-maturity term deposits with original maturity of more than three months	4,742,813	9.34	-	-	100.00	Change in time deposits held to maturity of more than 3 months is due to 1-year time deposits placed during the reporting period that will be held to maturity.
Other reserves	3,723,080	7.33	2,770,394	7.21	34.39	The increase in other reserves was mainly due to a change in foreign currency translation differences arising from the appreciation of the U.S. dollar during the Reporting Period.
Current income tax liabilities	331,920	0.65	246,668	0.64	34.56	The increase in current income tax liabilities was mainly due to the increase in profit before tax during the Reporting Period.

## Section V Management Discussion and Analysis

### 2. Overseas Assets

#### (1) Size of assets

Including: overseas assets of RMB19,370 million, accounting for 38.15% of the total assets.

#### (2) Details of the higher percentage of overseas assets

The overseas assets are the assets in the account of the overseas subsidiaries (for details, please refer to Note 37 “Subsidiaries” in the “Section XI Financial Report”) which are established 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 RMB6,280 million as at December 31, 2022, with the operating revenue amounted to RMB4,572 million and annual profit amounted to RMB345 million in 2022.

### (III) Analysis on industry operating information

The automobile industry will still face uncertainties in the short term, but as a supporting industry of the automobile industry, the industry in which we are operating has a stable room for development in the medium and long run. For details, please refer to “II. Discussion and analysis on the future development of the Company – (I) Industry landscape and development trend” in “Section IV Report of the Board of Directors”.

#### Analysis on operating information of automobile manufacturing industry

##### 1. Production volume and sales volume of components and parts

By classification of components and parts

*Unit: million square meters (other than percentage)*

Classification of components and parts	Sales volume			Production volume		
	Accumulation within the year	Accumulation of last year	Accumulative year-on-year increase/decrease (%)	Accumulation within the year	Accumulation of last year	Accumulative year-on-year increase/decrease (%)
Automotive glass	127.14	118.46	7.33	131.04	122.46	7.01

## Section V Management Discussion and Analysis

By classification of markets

Unit: million square meters (other than percentage)

Classification of components and parts	Sales volume in components market for finished automobiles			Sales volume in after-sales service market		
	Accumulation within the year	Accumulation of last year	Accumulative year-on-year increase/decrease (%)	Accumulation within the year	Accumulation of last year	Accumulative year-on-year increase/decrease (%)
Automotive glass	105.97	96.69	9.60	21.17	21.77	-2.76

### (IV) Analysis on investments

#### Overall analysis on external equity investment

At the tenth meeting of the tenth session of the Board of Directors of the Company held on August 30, 2022, the Company considered and approved an additional investment of US\$650,000,000 (or its equivalent in Euros, Renminbi, etc.) in Fuyao Glass America Inc., of which US\$300,000,000 (or its equivalent in Euros, Renminbi, etc.) will be invested in the construction of the coated automotive glass production line and the tempered laminated side window production line of Fuyao Glass America Inc.. The additional US\$350,000,000 (or its equivalent in Euros or Renminbi) was invested by Fuyao Glass America Inc. in its wholly-owned subsidiary, Fuyao Glass Illinois Inc. (福耀玻璃伊利諾伊有限公司) and will be used by Fuyao Glass Illinois Inc. (福耀玻璃伊利諾伊有限公司) for the construction of one melting furnace with two float glass production lines (float glass production lines), four solar backplane glass deep processing lines, plants and supporting infrastructure projects. Please refer to the announcement dated August 31, 2022 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>) for details. As at the Latest Practicable Date, the Company has completed the filing procedures of foreign investment projects, and obtained the Filing Acceptance Notification of Overseas Investment Project issued by the National Development and Reform Commission and the Enterprise Overseas Investment Certificate issued by the Department of Commerce of Fujian Province.

The Company's external investments in 2021: (1) the incorporation of Fuyao Tongliao Silicon Industry Co., Ltd. (福耀通遼硅業有限公司) with a registered capital of RMB100 million; (2) acquisition of 40% of the equity interests in Fujian Triplex Automobile Service Co., Ltd. (福建三鋒汽車服務有限公司) (now renamed as Fujian Fuyao Automobile Glass Sales Co., Ltd. (福建福耀汽車玻璃銷售有限公司)) by Fujian Triplex Holdings Group Company Limited (福建三鋒控股集團有限公司), a holding subsidiary of the Company, from Fujian Huijin Investment Co., Ltd. (福建暉錦投資有限公司) at RMB5,136,749.49; (3) the incorporation of Fuyao High Performance Glass Technology (Fujian) Co., Ltd. (福耀高性能玻璃科技(福建)有限公司) with a registered capital of RMB10 million; (4) the Company's additional investment of RMB600 million in Fujian Wanda Automobile Glass Industry Co., Ltd. for projects including construction of coated automotive glass production line and tempered laminated side window production line.



## Section V Management Discussion and Analysis

### 1. Financial assets at fair value

Unit: Yuan Currency: RMB

Classification of assets	As at the beginning of the Reporting Period	Gain/(loss) arising from fair value change for the period	Cumulative fair value change accounted for in equity	Impairment provided for during the period	Purchase amount during the period	Selling/redemption amount during the period	Other changes	As at the end of the Reporting Period
Shares of listed company	6,320,181	-2,033,177	-1,133,823		3,109,154			7,396,158
Sales of foreign exchange call options		-16,364,000	-16,364,000		16,364,000			
Investment in other equity instruments	69,320,755		8,245,988				8,245,988	77,566,743
Receivables financing	1,114,012,365	-12,840,733			6,423,656,920	6,386,700,386		1,138,128,166
Total	1,189,653,301	-31,237,910	-9,251,835		6,443,130,074	6,386,700,386	8,245,988	1,223,091,197

## Section V Management Discussion and Analysis

### (V) Material disposal of assets and equities

According to the strategic development plan of the Company, in order to further optimise and adjust its asset structure, increase the liquidity of its assets and improve the utilisation efficiency of its assets, the Company 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 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 shall 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 recognised investment revenue of RMB664,032,500 from the transfer of the equity interests in Beijing Futong and recorded an increase of RMB682,452,200 in cash flow 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 from 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.

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 V Management Discussion and Analysis

### (VI) Analysis of major subsidiaries and investee companies

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

Company	Business nature	Major products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Fujian Wanda Automobile Glass Industry Co.,Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	74,514.95	360,560.87	173,097.26	261,996.71	60,664.54	56,132.61
Fuyao Group (Shanghai) Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司)	Manufacturing enterprise	Production and sale of automotive glass products	USD 68,048,800	628,174.12	135,168.26	378,640.34	66,750.57	56,111.44
Guangzhou Fuyao Glass Co., Ltd. (廣州福耀玻璃有限公司)	Manufacturing enterprise	Production of special glass made of inorganic nonmetallic materials and products	USD 75,000,000	523,907.97	138,083.04	356,177.91	74,539.04	63,767.18
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	USD1,500	628,005.75	132,682.94	457,195.59	45,432.89	34,521.51

Notes: Fuyao Glass America Inc. holds 100% equity interests in each of Fuyao Glass Illinois Inc. (福耀伊利諾有限公司) and Fuyao Asset Management C, LLC (福耀美國C資產公司). The financial figures of Fuyao Glass America Inc. as disclosed in the above table are the figures of the consolidated financial statements.

## Section VI Company Governance and Corporate Governance Report

### I. COMPANY GOVERNANCE

During the Reporting Period, the Company strictly followed the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, and the requirements promulgated by the CSRC, the SSE and the Hong Kong Stock Exchange in relation to company governance. The company governance structure was constantly optimized, company operation was regulated, management of insider information was improved, disclosure of company information was strengthened, and the interest of the Company and all the shareholders was solidly protected. There is no material difference between the actual condition of the Company's governance structure and the provisions and requirements prescribed in the prevalent documents by the CSRC. The Company is also in compliance with the code provisions in the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange (the "Corporate Governance Code"). The general condition of the Company governance is as follows:

1. **Shareholders and General Meeting:** The Company convened and held general meetings in accordance with the relevant requirements of the Articles of Association and the Rules of Procedure for General Meetings. During the Reporting Period, the Company held the 2021 annual general meeting, at which online voting was available to shareholders during the consideration of the relevant resolutions to protect their legal rights and interests. The convention and the voting procedures in each of the general meetings were witnessed by lawyers in person and documents with legal opinions were delivered to ensure that the resolutions were lawful and valid.
2. **Relations between the Controlling Shareholder and the Company:** The Company stringently carried out the strategy of "Independence in Five Aspects" with respect to its personnel, assets, finance, organization and business from those of the controlling shareholder, with separate accounting systems and respective responsibilities and risks. The controlling shareholder exercised rights and assumed responsibilities as a capital contributor of the Company, and standardize their acts in strict compliance with relevant provisions under the Company Law and the Articles of Association of the Company. There was no business competition between the controlling shareholder and the Company, no direct or indirect interference in the decision-making and operation activities of the Company by the controlling shareholder, no non-operational use of funds of the Company, and no request of providing any guarantee for or by the controlling shareholder. The Board of Directors, the Board of Supervisors and internal organizations all operated independently. The Company has established a long-term mechanism to avoid the controlling shareholder from non-operational use of assets and damage of interests of the Company, where the relevant terms of "freeze upon non-operational use" were clearly specified in the Articles of Association.
3. **Directors and the Board of Directors:** All directors made independent, objective and fair decisions on the resolutions brought to the Board of Directors for consideration with their professional knowledge and ability, exercised rights and bore responsibilities in accordance with the laws, and were in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors and the requirements under relevant laws and regulations, in an honest and diligent manner. When considering resolutions in relation to connected transactions, the connected directors abstained from voting in order to ensure that the connected transactions were fair and reasonable.
4. **Supervisors and the Board of Supervisors:** All supervisors were in compliance with the Articles of Association, the Rules of Procedure for the Board of Supervisors and the requirements under relevant laws and regulations. The supervisors earnestly performed their duties in the best interests of all shareholders with the spirit of being responsible to the shareholders, supervised the legality of the Company's financial position, connected transactions, performance of directors and senior management, and protected the legal rights of the Company and the shareholders.

## Section VI Company Governance and Corporate Governance Report

5. **Information Disclosure and Transparency:** The Company strictly complied with the listing rules of the exchanges where its shares are listed, and fulfilled the obligation of information disclosure in a truthful, precise, complete and timely manner. Meanwhile, the Company also ensured confidentiality before the disclosure of information to make sure the disclosure of the Company's information was in an open, fair and just manner so that each shareholder would have an equal chance to obtain such information.
6. **Investor Relationship and Stakeholders:** The Company placed emphasis on the maintenance of the investor relationship. The Company appointed the secretary to the Board of Directors and the representatives of the securities business to be responsible for the information disclosure and management of the investor relationship, and responded to the visits and enquiries of the shareholders and investors in an earnest manner. The Company adequately respected and protected the lawful rights and interests of the creditors, clients, suppliers and other stakeholders, established coordination and balance of interests among different parties such as shareholders, employees and the society, actively engaged in welfare activities, valued the Company's social responsibilities and enhanced the stable and sustainable development of the Company.
7. **Registration and Management of People in Possession of Inside Information:** During the Reporting Period, the Company implemented the Policy for the Registration and Management of People in Possession of Inside Information in strict compliance with the requirements of the regulators. According to the regulations of such policy, the Company performed registration to record people associated with the inside information during the disclosure process of the Company's periodic reports.
8. **Anti-corruption, Anti-fraud, Whistle blowing System and Policy:** In accordance with Internal Control Norms for Enterprises and other relevant laws and regulations, the Company has formulated the Anti-Fraud Management Policy in light of its actual situation to safeguard the legitimate rights and interests of the Company and its shareholders and to reduce the risks of the Company. The Company has set up a special reporting telephone number (0591-85363456) and a reporting email address (GM@fuyagroup.com) to provide a means for employees and external parties to report and to ensure that whistleblowers are properly protected. Under the supervision of the Board of Directors, the Board of Supervisors and the Audit Committee, the Audit Department carried out anti-fraud prevention and publicity activities, received reports of fraud and organises investigations into fraud cases, so as to encourage relevant personnel to strictly comply with relevant laws and regulations, professional ethics and the Company's rules and regulations, and prevent acts that are detrimental to the interests of the Company and its shareholders.

Corporate governance is a long-term commitment. The Company will enhance its internal control system, constantly raise the level of standardized operations and consistently optimize its corporate governance structure in accordance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, and the requirements promulgated by the CSRC, the SSE and the Hong Kong Stock Exchange in relation to company governance.

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

The general meeting, the Board of Directors and the Board of Supervisors all operated effectively in strict

## Section VI Company Governance and Corporate Governance Report

### II. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Hong Kong Listing Rules as the model code on trading securities of the Company for all directors, supervisors and relevant employees (as defined in the Corporate Governance Code). According to the specific enquiries made to the directors and supervisors of the Company, all directors and supervisors have confirmed that they had strictly complied with the standards stipulated under the Model Code during the Reporting Period. Meanwhile, to the knowledge of the Company, there has been no incident of non-compliance of the Model Code by the employees during the Reporting Period.

### III. 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 Annual General Meeting	April 28, 2022	The website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ), The website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> )	April 29, 2022	For details, please refer to the Announcement on Resolutions of the 2021 Annual General Meeting of Fuyao Glass as published on the website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and the Poll Results of the 2021 Annual General Meeting dated April 29, 2022 as published on the website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).

#### Information on the general meeting

The 2021 Annual General Meeting was held on April 28, 2022 by way of physical meeting in combination with online voting. The general meeting was convened by the Board of Directors, and was chaired by Mr. Cho Tak Wong, the chairman of the Board of Directors. A total of 331 shareholders, either in person or by proxy, attended the onsite meeting or voted online. Work Report of the Board of Directors for the Year 2021, Work Report of the Board of Supervisors for the Year 2021 and Profit Distribution Plan for the Year 2021 were considered and approved at the meeting. For the announcement related to the resolutions, please refer to relevant announcement dated April 29, 2022 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

## Section VI Company Governance and Corporate Governance Report

### IV. THE RIGHTS OF SHAREHOLDERS

#### (I) Shareholders to Convene an Extraordinary General Meeting

According to the Articles of Association, the shareholders individually or jointly holding more than 10% shares of the Company may request the Board of Directors to hold an extraordinary general meeting. Such request shall be delivered in writing. The Board of Directors shall revert in writing whether to approve the holding of an extraordinary general meeting in accordance with applicable laws, administrative regulations and the Articles of Association within 10 days after the request is received. In case that the Board of Directors approves the holding of an extraordinary general meeting, it shall issue a corresponding notice convening the general meeting within 5 days after the resolution is made, and changes to the original proposal shall be subject to agreement by the relevant shareholders. In case the Board of Directors refuses the request of holding of an extraordinary general meeting, or makes no feedback within 10 days after receiving the proposal, the shareholders individually or jointly holding more than 10% shares of the Company may request the Board of Supervisors to hold an extraordinary general meeting in writing. In the case that the Board of Supervisors approves the holding of an extraordinary general meeting, it shall issue a notice convening the general meeting within 5 days after the request is received, and changes to the original proposal shall be subject to agreement by the relevant shareholders. In the case that the Board of Supervisors fails to issue the notice of extraordinary general meeting within the prescribed period, the Board of Supervisors shall be deemed as refusing to convene and preside over such meeting. Shareholders individually or jointly holding more than 10% shares of the Company for more than 90 consecutive days may convene and preside over such meeting on their own initiative. In the case that the proposing shareholders convene and preside over such meeting on their own initiative due to the failure on the part of the Board of Directors and the Board of Supervisors to convene such meeting upon request, the reasonable expenses incurred from convening and holding of such meeting shall be borne by the Company and deducted from the remuneration that shall be paid to the derelict directors by the Company.

#### (II) Shareholders to Convene a Meeting for a Certain Class of Shareholders

According to the Articles of Association, in the case that shareholders request the convening of a meeting for a certain class of shareholders, the following procedures shall be followed: 1. Two or more shareholders jointly holding more than 10% (including 10%) of the voting shares at a proposed meeting may sign one or several copies of written request with the same format and particulars to be submitted to the Board of Directors for convening a class meeting, and state the agenda of the meeting. The Board of Directors shall, after receipt of such written request, convene the class meeting as soon as possible. The number of shares held as referred to above shall be calculated on the basis of the date of making the written request by the shareholders. 2. In the event that the Board of Directors does not issue a notice to convene the meeting within 30 days of receiving such written request, the shareholders who have made such request may convene such meeting on their own initiative within four months after the Board of Directors' receipt of the request. The procedures for convening the meeting shall be as similar as possible to the Board of Directors' procedures for convening a general meeting.

## Section VI Company Governance and Corporate Governance Report

### (III) Procedures for Putting Forward Enquiries to the Board of Directors

According to the Articles of Association, in the case that a shareholder proposes to access or obtain relevant information provided for in the Articles of Association of the Company, written proof of the class and quantity of shares held by the shareholder shall be provided to the Company, and the Company shall provide relevant information according to the request after the Company checks and confirms the identity of the shareholder and the shareholder pays for the costs and expenses incurred.

### (IV) Procedures for Proposing a Resolution to the General Meeting

According to the Rules of Procedure for General Meetings, shareholders individually or jointly holding more than 3% of shares of the Company may bring forward provisional proposals and submit the same in writing to the convener ten days prior to the general meeting. The convener shall issue a supplementary notice of the general meeting within two days of receiving the proposals to disclose particulars of the provisional proposals. The proposals shall be within the scope of power of the general meeting, with clear agenda and resolutions, in compliance with relevant laws, administrative regulations, and the Articles of Association and shall be submitted or delivered in writing.

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

### (V) Investor Exchange and Related Contact Information

The Company has formulated and reviewed annually the effectiveness of the Shareholder Communication Policy, the Investor Relations Management Policy and other related systems to maintain close contact with investors. During the Reporting Period, by way of holding general meetings, organising result presentation meetings, accepting visits from investors for research, communicating through one-to-one or one-to-many telephone conferences, receiving enquiries by phone or replying by email, etc., the Company aimed to strengthen communication with investors and potential investors, enhance investors' understanding and recognition of the Company and improve corporate governance in order to maximise the overall interests of the Company and protect the legitimate rights and interests of investors. During the Reporting Period, the Company has effectively implemented the above policies and systems.

The Company has disclosed its address, investor relationship hotline, fax and email on the Company's website and the periodic reports, and arranged manpower specially for taking calls from investors, handling investors' emails, and timely reporting to the Company's management. Please see "II. Contact Person and Contact Methods" and "III. Basic Information" of "Section III Corporate Profile and Principal Financial Indicators" for contact information of the Company.



## Section VI Company Governance and Corporate Governance Report

### V. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

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

*Unit: Share*

Name	Position	Gender	Age	Commencement date of the term	Cessation date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares held for the year	Reason for changes
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## Section VI Company Governance and Corporate Governance Report

Name	Major working experience
Cho Tak Wong	<p>Mr. Cho Tak Wong has served as an executive director and the chairman of the Board of Directors since August 1999. Mr. Cho Tak Wong is also one of the major founders, operators and investors of the Company. Mr. Cho Tak Wong currently also serves as a director of a majority of subsidiaries of the Company and holds certain positions in many organizations, including as a member of the Advisory Committee of China Federation of Industry and Commerce (全國工商聯諮詢委員會), an honorary president of the China Federation of Overseas Chinese Entrepreneurs, a vice president of the China Association for Public Companies, a vice president of the China Enterprise Reform and Development Society (中國企業改革與發展研究會) and a permanent honorary president of the Fujian Province Charity Federation. Mr. Cho Tak Wong also serves as a director of each of Sanyi Development Limited, Global Cosmos German Limited and Trade Commerce Limited and the first chairman of Heren Charitable Foundation. Mr. Cho Tak Wong served as managing director of the Company from December 1994 to August 1999, vice chairman of the Board of Directors of the Company from May 1988 to December 1994 and president of the Company from June 1987 to September 2003. Mr. Cho Tak Wong worked at Fuqing County Gaoshan Special Shaped Glass Factory, a company primarily engaged in glass manufacturing business, from 1976 to June 1987. Mr. Cho Tak Wong is the father of Mr. Tso Fai, vice chairman of the Board of Directors of the Company and the father-in-law of Mr. Ye Shu, a director and president, and Mr. He Shimeng, vice president of the Company, is his brother-in-law.</p>
Tso Fai	<p>Mr. Tso Fai has served as a director of the Company since August 1998, the vice chairman of the Board of Directors of the Company since August 2015, and he served as the president of the Company from September 2006 to July 2015. Mr. Tso Fai is also a director of a majority of subsidiaries of the Company and holds positions in many organizations, including a member of the 14th National Committee of the Chinese People's Political Consultative Conference, a vice president of the Chamber of Commerce of the Fujian Industry and Commerce Association, the president of the Chamber of Commerce of the Fujian Private Enterprises, a member of the standing committee of the 13th Executive Committee of the All-China Federation of Industry &amp; Commerce, a member of the 11th Central Committee of the China National Democratic Construction Association, a vice president of the China Society for Promotion of the Guangcai Program, an honorary president of the Fujian Province Charity Federation and an honorary vice president of the Fujian Red Cross. Mr. Tso Fai currently also serves as a director of Fujian Yaohua Industrial Village Development Co., Ltd., Homekiu Overseas Holdings Limited, Chopline Limited, Trade Commerce Limited and Triplex Holdings Limited (三鋒控股管理有限公司), an executive director and president of Fujian Triplex Investment Group Co., Ltd. (福建三鋒投資集團有限公司), 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) and chairman of the board of directors of Fujian Yidao Daka Business Management Co., Ltd. (福建易道大咖商業管理有限公司). Mr. Tso Fai served as the president of Fuyao North America Inc. from August 2001 to December 2009; general manager of Greenville Glass Industries Inc., a member of the Company engaged in glass trading which was subsequently deregistered, from January 2001 to December 2009, and its chief financial officer from July 1996 to December 2000; president of Fuyao (Hong Kong) Co., Ltd. from March 1994 to June 1996 and the president of Sanyi Development Limited from June 1992 to February 1994. Mr. Tso Fai joined the Company in November 1989. Mr. Tso Fai received a master's degree in business administration from Baker College in the United States in December 2005, and obtained the qualification of senior economist as approved by Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012. Mr. Tso Fai is the son of Mr. Cho Tak Wong, the chairman and the de facto controller of the Company, the nephew of Mr. He Shimeng, a vice president of the Company, and Mr. Ye Shu, a director and the president of the Company, is his brother-in-law.</p>

## Section VI Company Governance and Corporate Governance Report

Name	Major working experience
Ye Shu	<p>Mr. Ye Shu has served as an executive director of the Company since October 2019 and has served as the president of the Company since March 2017. Mr. Ye Shu also serves as a director of a majority of subsidiaries of the Company. Mr. Ye Shu served as the vice president of the Company from February 2017 to March 2017, the director of the supply management department of the Company from June 2009 to February 2017, the president of the procurement department of the Company from March 2009 to June 2009, and the president of Fuyao Hainan Float Glass Co., Ltd. from May 2008 to November 2008. Mr. Ye Shu joined the Company in July 2003, worked in the supporting department, the preparatory team and other departments, and successively served as deputy manager, vice president and other positions of the Company and its subsidiaries from July 2003 to May 2008. From November 2008 to March 2009, Mr. Ye Shu left the Company and served as the president of Fujian Yaohua Industrial Village Development Co., Ltd.. Mr. Ye Shu graduated with a bachelor's degree in international trade from Xiamen University in July 1995, and a master's degree in economics from Xiamen University in July 1999. Mr. Ye Shu is the de facto controller of the Company, the son-in-law of Mr. Cho Tak Wong, the chairman of the Board of Directors, and the brother-in-law of Mr. Tso Fai, the vice chairman of the Board of Directors of the Company.</p>
Chen Xiangming	<p>Mr. Chen Xiangming has served as an executive director of the Company since February 2003, the chief financial officer of the Company since August 2015, secretary to the Board of Directors from October 2012 to March 2016 and joint company secretary since October 2014. Mr. Chen Xiangming currently also serves as a director of a majority of the subsidiaries of the Company. Mr. Chen Xiangming served as the manager of the accounting department of the Company from February 2002 to December 2002. Mr. Chen Xiangming was the chief financial officer of the Company from August 1999 to January 2002 and from January 2003 to November 2014. Prior to that, Mr. Chen Xiangming was the manager of the finance department of the Company from October 1994 to June 1998. Mr. Chen Xiangming joined the Company in February 1994. Mr. Chen Xiangming graduated from Nanjing Forestry University in June 1991 with a college diploma in finance and accounting, and received a certificate of the comprehensive national uniform examination</p>

## Section VI Company Governance and Corporate Governance Report

<b>Name</b>	<b>Major working experience</b>
Zhu Dezhen	<p>Ms. Zhu Dezhen has served as a non-executive director of the Company since November 2011. She currently also serves as a director of Heren Charitable Foundation, and has been the chairman of the board of directors and the president of Xiamen Deyi Equity Investment Management Co., Ltd. since July 2016. Ms. Zhu Dezhen currently also serves as an independent non-executive director of China Yongda Automobiles Service Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 3669). Ms. Zhu Dezhen served as the independent director of Bright Dairy Co., Ltd. (光明乳業股份有限公司) (a company listed on the SSE, stock code: 600597) from April 2015 to June 2022. Ms. Zhu Dezhen served as the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd. from December 2010 to June 2016, the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd. from July 2008 to December 2010 and president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.) from June 2003 to May 2008. Ms. Zhu Dezhen obtained a bachelor's degree in literature from Xiamen University in January 1982, a bachelor's degree in economics from College of Saint Elizabeth in May 1990, a master's degree in business administration from Pace University in the United States in June 1992 and a doctorate degree in economics from Xiamen University in September 2013.</p>
Cheung Kit Man Alison	<p>Ms. Cheung Kit Man Alison has served as an independent non-executive director of the Company since January 2018. She currently serves as a member of the Appraisal Committee of Hong Kong Securities and Investment Institute. Ms. Cheung Kit Man Alison served as the managing director of HSBC Private Bank from March 2010 to January 2017 and senior vice president and managing director of DBS Hong Kong from February 2001 to March 2010. Ms. Cheung Kit Man Alison graduated from Hrfrog Kit KitPolytechnic</p>

## Section VI Company Governance and Corporate Governance Report

Name	Major working experience
Qu Wenzhou	<p>Mr. Qu Wenzhou has served as an independent non-executive director of the Company since October 2019. Mr. Qu Wenzhou is currently the dean of the Jinyuan Institute for Financial Studies of Xiamen University, the director of the Chinese Capital Market Research Center of Xiamen University, the director of the MBA Center of the School of Management of Xiamen University and a professor of the Department of Finance of the School of Management of Xiamen University. Mr. Qu Wenzhou also serves as an independent non-executive director of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (a company listed on the SZSE, stock code: 001979) and Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 00914), respectively. Mr. Qu Wenzhou served as the independent non-executive director of Ronshine China Holdings Limited (融信中國控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 03301) from January 2016 to July 2022, an independent non-executive director of Datang Group Holdings Limited (大唐集團控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 02117) from November 2020 to November 2022 and an independent 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) from March 2015 to April 2021, the deputy head of the Institute for Financial &amp; Accounting Studies of Xiamen University from May 2010 to November 2016, an associate professor of the MBA Center of the School of Management of Xiamen University from July 2005 to December 2007 and a researcher of the SZE from August 2003 to June 2005. Mr. Qu Wenzhou obtained a bachelor of science degree from Xiamen University majoring in applied mathematics in July 1995, a master's degree in finance from Xiamen University majoring in finance in July 1999, a master of business management degree from Xiamen University majoring in business management in July 2001 and a PhD degree in economics from Xiamen University majoring in finance in July 2003. Mr. Qu Wenzhou obtained the qualification of Chinese certified public accountant (non practising member) as approved by the Chinese Institute of Certified Public Accountants in June 2002 and the qualification of chartered financial analyst as approved by the Chartered Financial Analyst Institute in November 2004.</p>
Bai Zhaohua	<p>Mr. Bai Zhaohua has served as an employee representative supervisor and the chairman of the Board of Supervisors of the Company since August 2015 and currently serves as the project director of the Fuyao aluminum alloy program. He served as an executive director of the Company from December 2006 to July 2015 and vice president of the Company from August 1999 to July 2015. Mr. Bai Zhaohua joined the Company in November 1995, and was previously a director of the Company from August 1999 to July 2001. Mr. Bai Zhaohua served as the president of Fujian Yaohua Automotive Parts Co., Ltd. from June 1998 to August 1999, vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from December 1996 to June 1998 and factory director of the laminated glass factory of the same company from November 1995 to December 1996.</p>
Chen Mingsen	<p>Mr. Chen Mingsen has served as a supervisor of the Company since March 2015. Mr. Chen Mingsen has been the dean and professor of the Institute of Industry and Corporate Development of the Fujian Provincial Committee Party School since May 2005, a special expert of the Monetary Policy Committee of the People's Bank of China since February 2017, a consultant of the Fujian Provincial People's Government since March 2000, the president of the Fujian Province Institute of Economic Researches on Securities since June 1998, an adjunct professor of the School of Economics and Management of Fuzhou University since May 1995 as well as of the School of Economics and Finance of HuaQiao University since November 2005. Mr. Chen Mingsen served as the independent director of Fujian Nanping Sun Cable Co., Ltd. (福建南平太陽電纜股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002300) from May 2016 to April 2022, the director and associate professor of the Economic Research Office of Fujian Normal University, the head and researcher of the Institute of Economics of Fujian Academy of Social Sciences, the head and professor of the Institute of Economic Management of Xiamen National Accounting Institute, and the part-time professor and doctoral supervisor of the School of Economics of Xiamen University. Mr. Chen Mingsen obtained a master's degree in economics from Fujian Normal University in December 1981.</p>

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Name	Major working experience
Ma Weihua	Mr. Ma Weihua has served as a supervisor of the Company since October 2019. Mr. Ma Weihua is currently the chairman of the board of directors of China Global Philanthropy Institute. Mr. Ma Weihua currently also serves as an independent non-executive director of each of Legend Holdings Corporation (a company listed on the Hong Kong Stock

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Name	Major working experience
Huang Xianqian	<p>Mr. Huang Xianqian has served as a vice president of the Company since August 2015. Mr. Huang Xianqian held various positions in the Company, including the director of the operation department of the Company and an assistant to the president from February 2011 to July 2015, the general manager of Guangzhou Fuyao Glass Co., Ltd. from June 2008 to February 2011, and vice president of the commerce department of the Company from May 2003 to June 2008. Since Mr. Huang Xianqian joined the Company in September 1990, he has worked in positions in connection with quality, process and factory. From January 1993 to May 2003, he successively served as the manager of the product development department, director of factory, manager of the sales department of the Company and its subsidiaries. Mr. Huang Xianqian graduated from Fuzhou University with a bachelor's degree majoring in mineral exploration in July 1990.</p>
Wu Lide	<p>Mr. Wu Lide has served as the vice president of the Company since August 2017. Mr. Wu Lide held various positions in the Company or its subsidiaries, including the president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 2015 to August 2017, vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from April 2015 to July 2015, and the business manager of the sales department of Fuyao Glass Group (Chongqing) Co., Ltd. (福耀玻璃集團(重慶)有限公司)</p>

## Section VI Company Governance and Corporate Governance Report

### (II) POSITIONS OF CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE RESIGNED DURING THE REPORTING PERIOD

#### 1. Positions in shareholder entities

Name	Name of shareholder entities	Position held in shareholder entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Heren Charitable Foundation	First Chairman	April 28, 2021	Present
Cho Tak Wong	Sanyi Development Limited	Director	April 4, 1991	Present
Tso Fai	Homekiu Overseas Holdings Limited	Director	May 15, 2018	Present
Tso Fai	Fujian Yaohua Industrial Village Development Co., Ltd.	Director	September 1, 2016	Present
Wu Shinong	Heren Charitable Foundation	Council member	December 9, 2010	Present
Zhu Dezhen	Heren Charitable Foundation	Council member	December 9, 2010	Present

Details of positions in shareholder entities As at the end of the Reporting Period, the positions and concurrent positions of the directors, supervisors and senior management of the Company are in compliance with the relevant laws and regulations without dual position forbidden by laws.

#### 2. Positions in other entities

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Trade Commerce Limited	Director	December 28, 1995	Present
Cho Tak Wong	Global Cosmos German Limited	Director	December 10, 2015	Present
Tso Fai	Chopline Limited	Director	May 25, 1993	Present
Tso Fai	Trade Commerce Limited	Director	December 28, 1995	Present
Tso Fai	Triplex Holdings Limited	Director	May 13, 2015	Present
Tso Fai	Fujian Triplex Investment Group Co., Ltd.	Executive Director and President	May 15, 2018	Present
Tso Fai	Fujian Yidao Daka Commercial Management Co., Ltd.	Chairman	June 21, 2022	Present
Tso Fai	Fujian Triplex Auto Parts Development Co., Ltd.	Executive Director and President	November 15, 2021	Present
Tso Fai	Fujian Juhong Baina Technology Co., Ltd.	Executive Director and President	November 15, 2021	Present



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<b>Name</b>	<b>Name of other entities</b>	<b>Position held in other entities</b>	<b>Commencement date of term</b>	<b>Cessation date of term</b>
Wu Shinong	Industrial Securities Co., Ltd.	Independent non-executive Director	November 29, 2017	Present
Wu Shinong	Chongqing Dima Industry Co., Ltd.	Independent non-executive Director	May 16, 2019	Present
Wu Shinong	Fujian Longking Co., Ltd.	Independent non-executive Director	December 30, 2020	Present
Wu Shinong	Guangdong Baolihua New Energy Stock Co., Ltd.	Independent non-executive Director	April 23, 2021	Present
Zhu Dezhen	Xiamen Deyi Equity Investment Management Limited	Chairman of the board of directors and President	July 1, 2016	Present
Zhu Dezhen	China Yongda Automobiles Service Holdings Limited	Independent non-executive Director	May 8, 2015	Present
Qu Wenzhou	Anhui Conch Cement Company Limited	Independent non-executive Director	May 31, 2022	Present
Qu Wenzhou	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Independent non-executive Director	September 12, 2018	Present
Ma Weihua	Legend Holdings Corporation	Independent non-executive Director	March 15, 2015	Present
Ma Weihua	Haidilao International Holding Ltd.	Independent non-executive Director	August 24, 2021	Present
Ma Weihua	China Gas Holdings Limited	Independent non-executive Director	February 1, 2022	Present
Ma Weihua	Bison Finance Group Limited	Chairman and non-executive Director	November 21, 2017	Present

## Section VI Company Governance and Corporate Governance Report

### (III) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process of remuneration of directors, supervisors and senior management	The implementation is subject to the approval of the Board of Directors and the general meeting of the Company.
Basis for determination of remuneration of directors, supervisors and senior management	A combination of fixed emoluments and allowances, basic salaries and year-end performance bonus.
Actual amount of remuneration paid to directors, supervisors and senior management	The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB29,949,100 (before tax). Please refer to "Changes in shareholding of current directors, supervisors and senior management and those resigned during the Reporting Period and their remuneration" in this section for details.
Total remuneration actually received by all directors, supervisors and senior management at the end of the Reporting Period	The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB29,949,100 (before tax). Please refer to "Changes in shareholding of current directors, supervisors and senior management and those resigned during the Reporting Period and their remuneration" in this section for details.

### (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 the current directors of the Company are as follows:

1. Ms. Zhu Dezhen, a non-executive director of the Company, resigned as an independent director of Bright Dairy Co., Ltd. (光明乳業股份有限公司) (a company listed on the SSE, stock code: 600597) on June 28, 2022.
2. Mr. Qu Wenzhou, an independent non-executive director of the Company, was appointed as an independent non-executive director of Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 00914) on May 31, 2022, resigned as an independent non-executive director of Ronshine China Holdings Limited (融信中國控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 03301) on July 22, 2022, and resigned as an independent non-executive director of Datang Group Holdings Limited (大唐集團控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 02117) on November 30, 2022.
3. Mr. Ma Weihua, a supervisor of the Company, has served as an independent non-executive director of China Gas Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0384) since February 1, 2022; and resigned as an independent director of Guangdong Qunxing Toys Joint Stock Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002575) on 31 October 2022.
4. Mr. Chen Mingsen, a supervisor of the Company, resigned as an independent director of Fujian Nanping Sun Cable Co., Ltd. (福建南平太陽電纜股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002300) on April 28, 2022.

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

## Section VI Company Governance and Corporate Governance Report

### VI. CORE TECHNICAL TEAM OR KEY TECHNICAL STAFF OF THE COMPANY

During the Reporting Period, there was no significant change in the core technical team or key technical staff of the Company.

### VII. THE BOARD OF DIRECTORS AND THE MANAGEMENT

#### (I) The Board of Directors

The Board of Directors is the permanent organization for the operation and decision-making of the Company, and shall report to the general meeting. The Board of Directors shall consist of nine directors, among whom three are independent non-executive directors. The Board of Directors shall have one chairman and one vice chairman. Mr. Cho Tak Wong is the chairman of the Board of Directors, and Mr. Tso Fai is the vice chairman of the Board of Directors. The Board of Directors and the management have respective responsibilities and liabilities, and the division of power and duty is in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, the Code on Work for the President, and relevant laws and regulations.

The Board of Directors shall exercise the following powers: convening general meetings and presenting reports thereto; implementing the resolutions made at the general meetings; determining the Company's business and investment plans; working out the Company's annual financial budget plans and final account plans; working out the Company's profit distribution plans and loss recovery plans; working out the Company's plans on the increase or reduction of registered capital, as well as on the issuance of bonds or other securities and listing plans; formulating proposals for material acquisitions, purchase of shares of the Company, merger, split-up, dissolution and change of the Company form; deciding on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the Company within the scope authorized by the general meeting;

## Section VI Company Governance and Corporate Governance Report

The Board of Directors has established the nomination committee, the strategy and development committee, the remuneration and assessment committee and the audit committee. The committees have respective terms of reference, report to the Board of Directors, and provide suggestions and consultations to the Board of Directors relating to its decision-making under the leadership of the Board of Directors. The committees may hire intermediaries for independent and professional opinions, and the expenses incurred shall be borne by the Company.

During the Reporting Period, in order to further enhance the scientificity of the decision-making procedure followed by the Board of Directors and to enhance the regulated and efficient operation of the Board of Directors, the Board of Directors actively developed channels of information communication, strengthened the communication with the management, and timely addressed critical issues.

During the Reporting Period, all members of the Board of Directors worked in an earnest and diligent manner in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, and the terms of reference of respective committees.

As at the disclosure date of this report, the tenth session of the Board of Directors of the Company consists of nine members: 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, and Ms. Cheung Kit Man Alison, Mr. Liu Jing and Mr. Qu Wenzhou as independent non-executive directors. The term of office of each director is three years. Mr. Cho Tak Wong is the chairman of the Board of Directors, and the term of his office is the same as that of the tenth session of the Board of Directors.

Except for the working relationship in the Company and (1) the relationship between Mr. Cho Tak Wong, the chairman of the Board of Directors, and Mr. Tso Fai, the vice chairman of the Board of Directors, as father and son; (2) Mr. Ye Shu, an executive director and the president of the Company, being the son-in-law of Mr. Cho Tak Wong and the brother-in-law of Mr. Tso Fai; (3) Mr. He Shimeng, the vice president of the Company, being the brother-in-law of Mr. Cho Tak Wong and the uncle-in-law of Mr. Tso Fai, the members of the Board of Directors are not related in terms of finance, business and family. They also have no other material relationships.

During the Reporting Period, the Board of Directors held four meetings, of which all resolutions were considered and approved, and no directors voted against or abstained from voting on the resolutions considered and approved thereat.

### (II) The Management

The president of the Company is responsible for the production, operation and management of the Company and the implementation of resolutions of the Board of Directors, and shall report his work to the Board of Directors. The Company shall have one president, several vice presidents and one chief financial officer. The president shall be appointed or dismissed by the Board of Directors, while the vice presidents, chief financial officer and other senior managers shall be appointed or dismissed by the Board of Directors upon the proposals submitted by the president.

The president exercises the following powers: managing the production, operation and management of the Company, implementing resolutions of the Board of Directors, and reporting his work to the Board of Directors; executing the Company's annual business plans and investment plans; preparing the plan for the establishment of internal management organizations of the Company; deciding on the basic management system of the Company; formulating the Company's specific rules; proposing to the Board of Directors to appoint or dismiss any vice president and chief financial officer; deciding to appoint or dismiss executives other than those appointed or dismissed by the Board of Directors and exercising other powers conferred by the Articles of Association or the Board of Directors.

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### VIII. MEETINGS OF THE BOARD OF DIRECTORS HELD DURING THE REPORTING PERIOD

Session of meeting	Date of meeting	Meeting resolution(s)
The eighth meeting of the tenth session of the Board of Directors	March 17, 2022	For details, please refer to the Announcement on the Resolutions of the Eighth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated March 18, 2022 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The ninth meeting of the tenth session of the Board of Directors	April 14, 2022	For details, please refer to the Announcement on the Resolutions of the Ninth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated April 15, 2022 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The tenth meeting of the tenth session of the Board of Directors	August 30, 2022	For details, please refer to the Announcement on the Resolutions of the Tenth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated August 31, 2022 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The eleventh meeting of the tenth session of the Board of Directors	October 20, 2022	For details, please refer to the Announcement on the Resolutions of the Eleventh Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated October 21, 2022 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).

### IX. THE PERFORMANCE OF DUTIES OF THE DIRECTORS

#### (I) Directors' Attendance at the Meetings of the Board of Directors and General Meetings

Names of directors	Whether he/she is an independent director	Number of meetings of the Board of Directors required to attend	Attendance at meetings of the Board of Directors					Attendance at the general meetings		
			Number of times of attendance in person	Number of times of attendance through communications	Attendance rate (%)	Number of times of attendance by proxy	Number of absences	Absent for two consecutive meetings	Number of general meetings attended	Attendance rate (%)
Cho Tak Wong	No	4	3	1	75	1	0	No	1	100
Tso Fai	No	4	4	0	100	0	0	No	1	100
Chen Xiangming	No	4	4	0	100	0	0	No	1	100
Ye Shu	No	4	4	1	100	0	0	No	1	100
Wu Shinong	No	4	4	4	100	0	0	No	1	100
Zhu Dezhen	No	4	4	4	100	0	0	No	1	100
Cheung Kit Man Alison	Yes	4	4	4	100	0	0	No	1	100
Liu Jing	Yes	4	4	4	100	0	0	No	1	100
Qu Wenzhou	Yes	4	4	4	100	0	0	No	1	100
Number of meetings of the Board of Directors held during the year										4
Among them: Physical meetings held										0
Meetings held through communications										0
Meetings held through a combination of physical meetings and meetings through communications										4

## Section VI Company Governance and Corporate Governance Report

### (II) Training of the Directors

During the Reporting Period, all directors have participated in the continuous professional development programs to update their knowledge and skills, hence ensuring they could make relevant contributions with precise grasp of information, and to make sure they could fully understand their responsibilities, duties and obligations as a director of a company listed on two stock exchanges.

As at December 31, 2022, all directors have attended trainings in accordance with the code provisions of the Corporate Governance Code with respect to continuous professional development. Their records of training for the year ended December 31, 2022 are as follows:

Director	Duration of training ( <i>Hours</i> )	
	A	H
<b>Executive directors</b>		
Cho Tak Wong	13.5	16
Tso Fai	13.5	16
Ye Shu	13.5	16
Chen Xiangming	13.5	32
<b>Non-executive directors</b>		
Wu Shinong	13.5	16
Zhu Dezhen	13.5	16
<b>Independent non-executive directors</b>		
Cheung Kit Man Alison	13.5	16
Liu Jing	33.5	16
Qu Wenzhou	13.5	16

*Note:*

1. A: Trainings on the rules issued by the SSE and directors' responsibilities; H: Trainings on the Hong Kong Listing Rules and directors' responsibilities.

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

According to the regulatory requirements of the places where shares of the Company are listed, the Board of Directors stringently discharged its duties of corporate governance specified in the Rules of Procedure for the Board of Directors. The relevant duties include but are not limited to:

- To develop and review the Company's policies and practices on corporate governance and make recommendations.
- To review and monitor the training and continuous professional development of Directors and senior management. During the Reporting Period, the Board of Directors timely informed Directors and senior management of the relevant regulatory regulations so as to enable them to continuously develop their professional skills and capabilities to discharge their duties.
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. The Board of Directors constantly paid attention to the compliance of the operation of the Company. The Company established the legal department and hired counsels to reduce legal and regulatory risks.
- To review the Company's compliance with the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules and its disclosure in the Corporate Governance Report. The Board of Directors required the Company to stringently follow the requirements relevant to corporate governance in the listing rules of the stock exchanges where the shares of the Company are listed, and to timely disclose information relevant to corporate governance.

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### X. THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE PRESIDENT

To ensure a balanced distribution of power and to enhance independence and accountability, the role of the chairman of the Board of Directors and the president (equivalent to the chief executive mentioned in the Corporate Governance Code) are undertaken by Mr. Cho Tak Wong and Mr. Ye Shu, respectively.

The chairman of the Board of Directors is the legal representative of the Company, and shall exercise the following duties: presiding over and convening general meetings and presiding over meetings of the Board of Directors; supervising and reviewing the implementation of resolutions passed at the meetings of the Board of Directors; executing the securities issued by the Company; executing important documents of the Board of Directors and other documents that shall be signed by the legal representative of the Company; exercising the powers of legal representative, etc. The chairman of the Board of Directors shall be accountable to and report to the Board of Directors.

The president shall exercise the following powers: managing the production, operation and management of the Company, implementing the resolutions of the Board of Directors, and reporting his work to the Board of Directors; executing the Company's annual business plans and investment plans, etc. In accordance with the requirements of the Board of Directors, the president shall timely provide the Board of Directors with important information including the operating results, important transactions and contracts, financial position and the prospect of operations of the Company, regularly report to the Board of Directors on his work, and guarantee the reports are true, objective and complete.

The respective duties of the chairman of the Board of Directors and the president are clearly outlined and set forth in the Articles of Association.

### XI. INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Rules of Procedure for the Board of Directors of the Company, the term of office of the directors shall be three years and they may be reappointed upon re-election, but the consecutive terms of office of the independent non-executive directors shall not exceed six years. As at the date of the disclosure of this report, the Board of Directors consisted of nine members, among which there were three independent non-executive directors including Mr. Qu Wenzhou, who possesses the qualifications of accounting and financial management. The composition of the Board of Directors was in compliance with the requirements of Rule 3.10(1) "The Board of Directors must consist of at least three independent non-executive directors", Rule 3.10A "independent non-executive directors must take up at least a proportion of one-third of the members of the Board of Directors", and Rule 3.10(2) "one of the independent non-executive directors must possess appropriate professional qualifications, or possess appropriate accounting and relevant financial management specialties" of the Hong Kong Listing Rules.

The Company received the letter of confirmation relating to their independence in accordance with Rule 3.13 of the Hong Kong Listing Rules from all the independent non-executive directors, and considered and confirmed their independent status. All independent non-executive directors were able to express opinions objectively and independently, which ensured the independence and fairness of the Board of Directors' decisions. During the Reporting Period, the Company also held the 2022 first meeting of the chairman and independent non-executive directors, which mainly discussed matters such as the operation of the year 2021, analysis of the industry landscape and development trend and business planning for 2022.

## Section VI Company Governance and Corporate Governance Report

### XII. SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS



## Section VI Company Governance and Corporate Governance Report

3. The Company has established a nomination committee in accordance with Code Provision B.3 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 change and recommendation of candidates for directors and senior management to the Board of Directors and evaluating the independency of the independent non-executive directors. The terms of reference of the nomination committee were published on the websites of the Company, the SSE and Hong Kong Stock Exchange.

The Company has formulated the Board Diversity Policy and reviewed its effectiveness annually, which covers: (1) Policy statement: In designing the composition of the Board of Directors, the Company will consider the diversity of the Board members from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, expertise, skills, know-how and term of service. All appointments will be made in accordance with the principle of meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity in the Board of Directors. (2) Measurable objectives: Selection of candidates by the Company will be based on a range of diversified criteria, including but not limited to gender, age, cultural and educational background, ethnicity, expertise, skills, know-how and term of service. The final decision will be made in accordance with the merits and possible contributions to the Board of Directors of the selected candidates. As at the date of disclosure of this report, the analysis on the Board diversity is as follows:

Item	Category	Number	Percentage in the members of the Board of Directors
Gender	Male	7	78%
	Female	2	22%
Age	Aged 40–50	2	22%
	Aged 51–60	2	22%
	Aged 61–70	4	44%
	Aged 71–80	1	12%
Post	Independent non-executive director	3	33%
	Non-executive director	2	22%
	Executive director	4	45%
Length of service as Board members	3 years or less	3	33%
	4–6 years	1	11%
	7–9 years	0	0
	10 years or more	5	56%
Financial and accounting professionals		7	78%
Directorships in other listed companies (number of companies)	1 or 2	2	22%
	3 or more	1	12%

The Company confirmed that the composition of the Board of Directors, the background of members and the selection procedures of new directors were in compliance with the requirements of the Hong Kong Listing Rules with respect to the diversity of directors and the Board Diversity Policy formulated by the Company.

The Company has formulated the Rules of Procedure for the Board of Directors and the Independent Director System and reviews their effectiveness annually in accordance with Code Provision B.1.4 under the Corporate Governance Code to ensure that independent views and input are available to the Board.

## Section VI Company Governance and Corporate Governance Report

4. 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 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 terms of reference of the remuneration and assessment committee was published on the websites of the Company, the SSE and Hong Kong Stock Exchange.

During the Reporting Period, after carefully examining the actual completed production and operating results in 2021, the remuneration and assessment committee reviewed the remuneration of the Company's Directors and senior management disclosed in the 2021 annual report, and considered that all the Directors, supervisors and senior management performed well with diligence and dedication in 2021. The remuneration for 2021 paid by the Company to its Directors, supervisors and senior management was fair, reasonable and in compliance with relevant remuneration rules and assessment criteria of the Company, without any occurrence of violation of the Company's remuneration system and the service contract signed with the Company. In 2021, the Company did not implement any equity incentive scheme.

5. During the Reporting Period, the members of and meetings held by the strategy and development committee, the audit committee, the nomination committee and the remuneration and assessment committee of the Company are as follows:

(1) *Members of the committees established by the Board of Directors*

**Type of the committees    Names of members**

Strategy and Development Committee	Chairman: Mr. Cho Tak Wong, an executive director and the chairman of the Board of Directors; Members: Mr. Tso Fai, an executive director and the vice chairman of the Board of Directors, and Ms. Cheung Kit Man Alison, an independent non-executive director.
Audit Committee	Chairman: Mr. Qu Wenzhou, an independent non-executive director; Members: Ms. Cheung Kit Man Alison, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director.
Nomination Committee	Chairman: Ms. Cheung Kit Man Alison, an independent non-executive director; Members: Mr. Tso Fai, an executive director and the vice chairman of the Board of Directors, and Mr. Liu Jing, an independent non-executive director.
Remuneration and Assessment Committee	Chairman: Mr. Liu Jing, an independent non-executive director; Members: Mr. Cho Tak Wong, an executive director and the chairman of the Board of Directors, and Mr. Qu Wenzhou, an independent non-executive director.

## Section VI Company Governance and Corporate Governance Report

### (2) The strategy and development committee held 2 meetings during the Reporting Period

Date	Topic	Key opinions and proposals	Other performance of duties
March 17, 2022	The fourth meeting of the tenth session of the strategy and development committee (meeting through communications): Consideration of the Resolution in Relation to the Company's Development Strategy; and the Resolution in Relation to the Company's 2022 Development Plan.	All resolutions were approved unanimously	Mr. Cho Tak Wong, chairman of the strategy and development committee, and Mr. Tso Fai and Ms. Cheung Kit Man Alison, members of the strategy and development committee, attended the meeting
August 30, 2022	The fifth meeting of the tenth session of the strategy and development committee (meeting through communications): Consideration of the Resolution to increase the Company's investment in its wholly-owned subsidiary, Fuyao Glass America Inc. and its subsidiaries.	All resolutions were approved unanimously	Mr. Cho Tak Wong, chairman of the strategy and development committee, and Mr. Tso Fai and Ms. Cheung Kit Man Alison, members of the strategy and development committee, attended the meeting

### (3) The audit committee held 4 meetings during the Reporting Period

Date	Topic	Key opinions and proposals	Other performance of duties
March 17, 2022	The sixth meeting of the tenth session of the audit committee (meeting through communications): Consideration of the 2021 Final Financial Accounts; the 2021 Annual Report and Summary of Annual Report; the 2021 Annual Audit Work Summary Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers; the Resolution in Relation to the Re-appointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Domestic Audit Institution and Audit Institution of the Internal Control of the Company for 2022; the Resolution in Relation to the Re-appointment of PricewaterhouseCoopers as the Overseas Audit Institution of the Company for 2022; the Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2021; the Duty Performance Report of the Audit Committee under the Board of Directors of Fuyao Glass Industry Group Co., Ltd. for 2021; and the Work Summary of the Audit Department for 2021.	All resolutions were approved unanimously	Mr. Qu Wenzhou, chairman of the audit committee, and Ms. Zhu Dezhen and Ms. Cheung Kit Man Alison, members of the audit committee, attended the meeting

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Date	Topic	Key opinions and proposals	Other performance of duties
April 14, 2022	The seventh meeting of the tenth session of the audit committee (meeting through communications): Consideration of the Resolution in Relation to the 2022 First Quarterly Report.	All resolutions were approved unanimously	Mr. Qu Wenzhou, chairman of the audit committee, and Ms. Zhu Dezhen and Ms. Cheung Kit Man Alison, members of the audit committee, attended the meeting
August 30, 2022	The eighth meeting of the tenth session of the audit committee (meeting through communications): Consideration of the Resolution in Relation to the 2022 Interim Report and Summary of the Company.	All resolutions were approved unanimously	Mr. Qu Wenzhou, chairman of the audit committee, and Ms. Zhu Dezhen and Ms. Cheung Kit Man Alison, members of the audit committee, attended the meeting
October 20, 2022	The ninth meeting of the tenth session of the audit committee (meeting through communications): Consideration of the Resolution in Relation to the 2022 Third Quarterly Report.	All resolutions were approved unanimously	Mr. Qu Wenzhou, chairman of the audit committee, and Ms. Zhu Dezhen and Ms. Cheung Kit Man Alison, members of the audit committee, attended the meeting
(4) <i>The remuneration and assessment committee held 1 meeting during the Reporting Period</i>			
Date	Topic	Key opinions and proposals	Other performance of duties
March 17, 2022	The third meeting of the tenth session of remuneration and assessment committee (meeting through communications): Consideration of the Summary Report of Duty Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2021.	All resolutions were approved unanimously	Mr. Liu Jing, chairman of the remuneration and assessment committee, and Mr. Cho Tak Wong and Mr. Qu Wenzhou, members of the remuneration and assessment committee, attended the meeting

## Section VI Company Governance and Corporate Governance Report

### XIII. THE BOARD OF SUPERVISORS

The Board of Supervisors is the supervisory organization of the Company, and shall be accountable to the general meeting. The Board of Supervisors of the Company consists of three members, including one chairman. As at the disclosure date of this report, the Company has three supervisors, namely Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ma Weihua.

The Board of Supervisors shall exercise the following powers: to examine the periodic reports of the Company prepared by the Board of Directors and produce written examination opinions thereon; to examine financial operations of the Company; to supervise the work of directors and senior executives, and propose dismissal of directors and senior executives who have violated laws, administrative rules, the Articles of Association or the resolutions of general meetings; to require directors and senior executives to make corrections if their conduct has damaged the interests of the Company; to review financial reports, business reports and profit distribution plans to be submitted by the Board of Directors to the general meeting, and if there are any queries, to engage certified public accountants or practicing auditors in the name of the Company to assist in the review; to propose the convening of extraordinary general meetings and, in case the Board of Directors does not perform the obligations to convene and preside over the general meetings in accordance with the Company Law, to convene and preside over the general meetings; to present proposals to general meetings; to coordinate with directors on behalf of the Company or bring legal proceedings against the Company's directors and senior executives

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Session of meeting	Date	Topic	Attendance
The tenth meeting of the tenth session of the Board of Supervisors (meeting through communications)	October 20, 2022	Consideration of the Resolution in Relation to the 2022 Third Quarterly Report; the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year of 2023; the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2023.	Mr. Bai Zhaohua, Chairman of the Board of Supervisors, Mr. Chen Mingsen, Supervisor and Mr. Ma Weihua, Supervisor attended the meeting

### XIV. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE BOARD OF SUPERVISORS

The Board of Supervisors has no objection to the supervision matters during the Reporting Period.

### XV. INTEREST IN COMPETING BUSINESS

No director or controlling shareholder of the Company holds any interest in any business in competition with or which may compete with any business of the Company and its subsidiaries.

### XVI. INTEREST OF DIRECTORS, SUPERVISORS (AND CONNECTED ENTITIES) IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period and as at the end of the Reporting Period, except those already disclosed in relevant announcements or this report, no directors, supervisors (and connected entities) possess, directly or indirectly, substantial interest in the transactions, arrangements or contracts which are deemed by the Company important and were entered into by the Company, its subsidiaries or the subsidiaries of its holding companies.

### XVII. CONTRACT OF SERVICE OF DIRECTORS AND SUPERVISORS

None of the existing directors and supervisors of the Board of Directors and the Board of Supervisors entered into any contracts of services that could not be terminated until the payment of compensation (except legal compensation) within one year with the Company or any of its subsidiaries.

## Section VI Company Governance and Corporate Governance Report

### XVIII. INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

The Company regards information disclosure and investor relationship as very important work, has formulated the Investor Relations Management Policy, the Shareholder Communication Policy and other related systems. In 2022, in accordance with the relevant regulations of the regulatory authorities such as the CSRC, the SSE and the Hong Kong Stock Exchange, the Company diligently organized the information disclosure work and disclosed relevant information in a true, accurate, complete, timely and fair manner. Meanwhile, the Company further strengthened communications with investors, analysts and financial media, and effectively protected the legitimate rights and interests of investors, especially small and medium investors. The Company communicated and exchanged ideas with investors through channels such as non-deal roadshows, performance description, conference calls, visits reception, investor relations hotline, dedicated mailbox, and the “Shanghai interactive e-platform”. The Company also set up its website at <http://www.fuyaogroup.com>, for public inspection of the Company’s business development and operation, financial information, corporate governance practices, and information and updates about other information. During the Reporting Period, the Company effectively implemented the above system.

### XIX. SIGNIFICANT CHANGE IN THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

During the Reporting Period, the Articles of Association changed as below:

On March 17, 2022, the Board of Directors resolved to propose amendments to certain provisions of the Articles of Association of the Company. Relevant proposed amendments were considered and approved at the 2021 annual general meeting. The amendments were mainly made according to the provisions under the Company Law, the Securities Law, the Guidelines for the Articles of Association of Listed Companies (revised in 2022) (CSRC Announcement [2022] No. 2) and the Rules Governing Shareholders’ General Meetings of Listed Companies (revised in 2022) (CSRC Announcement [2022] No. 13) issued by the China Securities Regulatory Commission on January 5, 2022, the Rules Governing the Listing of Stocks on the SSE (revised in January 2022), the Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardised Operation, the Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 5 – Transactions and Related Party Transactions issued by the SSE on January 7, 2022, and other relevant laws and regulations, and by taking into account the actual business needs of the Company. The Company amended a total of 27 provisions of the Articles of Association (including provisions of Articles 2, 12, 30, 40, 68, 69, 77, 78, 84, 110, 111, 114, 117, 125, 144, 152, 155, 158, 161, 186, 194, 199, 211, 230, 245, 290 and 296). For details, please refer to the Company’s announcement dated March 18, 2022 and circular dated March 24, 2022.

### XX. REMUNERATION OF THE ACCOUNTANTS

The Company did not change or remove its accounting firms in the past three years (including the Reporting Period). Please refer to “III. The Appointment and Dismissal of Accounting Firms” of “Section VIII Significant Events” of this report for details of the remuneration of the auditors.

## Section VI Company Governance and Corporate Governance Report

### XXI. JOINT COMPANY SECRETARY

Mr. Chen Xiangming, an executive director, a joint company secretary and the chief financial officer of the Company, is responsible for providing opinions concerning corporate governance to the Board of Directors. In addition, in order to maintain good corporate governance and ensure compliance with the Hong Kong Listing Rules, the Company has engaged Ms. Kam Mei Ha, Wendy (an executive director of the Corporate Services Department of Tricor Services Limited, a fellow member of The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators")) as a joint company secretary, to assist Mr. Chen Xiangming to fulfill his obligations and responsibilities. Ms. Kam Mei Ha, Wendy's primary contact person in the Company is Mr. Chen Xiangming (an executive director, a joint company secretary and the chief financial officer).

In 2022, Mr. Chen Xiangming and Ms. Kam Mei Ha, Wendy were in compliance with the training requirements as stipulated in Rule 3.29 of the Hong Kong Listing Rules.

### XXII. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

#### (I) Employees

Number of in-service employees of the Company	1,461
Number of in-service employees of the major subsidiaries	27,521
Total number of in-service employees	28,982
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	44

#### Composition of Genders

Type of Genders	Number of persons
Male	22,543
Female	6,439

#### Composition of professions

Type of profession	Number of staff
Production staff	20,556
Sales staff	800
Technical staff	4,365
Finance staff	284
Administrative staff	1,072
Other staff	1,905
Total	<u>28,982</u>



## Section VI Company Governance and Corporate Governance Report

### Education level

Type of education level	Number of persons
University or above	4,773
Junior college	4,971
Specialised secondary school and high school	12,092
Below high school	7,146
Total	<u>28,982</u>

*Note:* "The number of retired employees whose expenses are borne by the Company and its major subsidiaries" mainly refers to retired personnel re-employed; the male accounted for 77.78% of the total number of employees of the Group, and the female accounted for 22.22% of the total number of employees of the Group.

### (II) Labor standards

The Company strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on Prohibition of Child Labor among other relevant laws and regulations, and formulates and improves the Regulations on Recruitment Management, the Regulations on Prohibition of Forced Labor, the Code of Conduct for Social Responsibility of Fuyao Group, the Measures on Anti-Discrimination and Harassment, the Measures on Protection of Employees' Personal Rights among other relevant policies and documents. Employees are recruited in compliance with laws and regulations, and any illegal behavior in recruitment will be addressed in accordance with the law.

The Company has been upholding principles of openness, fairness and equality in employment, effectively safeguarding and protecting employees' right to the free choice of jobs, resolutely opposing discrimination, preventing differential treatment, precluding child labor or forced labor, and been committed to creating an equal and diversified working environment and harmonious labor relations for win-win results.

### (III) Remuneration policy

The Company formulated a remuneration policy based on the principles of "fairness, competitiveness, incentives and legality". Remuneration of employees is mainly composed of various items including basic salaries, merit pay, bonuses, subsidies and allowance; salaries are adjusted in a timely manner in accordance with the Company's results, employees' performance and the competence of work. In addition, the Company participated in the programme of the "five social insurances and one housing fund" as stipulated and paid social insurance contributions and housing provident fund as scheduled.

### (IV) Training plan

The Company made training plans in accordance with the Group's strategic plan and annual operating policy and plan. The Group provides orientation training and on-the-job education for the growth of the employees, of which the orientation training covers subjects such as corporate culture and policies, work ethic and quality, major products and business, production process, quality control and occupational safety. The on-the-job education covers environment, health and safety management systems and mandatory training required by the applicable laws and regulations as well as special training for personnel at various levels and all professions. 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 VI Company Governance and Corporate Governance Report

### XXIII. PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT CAPITAL RESERVE INTO SHARE CAPITAL

#### **(I) Formulation, implementation of or adjustment to cash dividend distribution policies**

##### 1. Cash dividend policies of the Company:

Dividends were distributed in accordance with the Articles of Association and the prescribed cash dividend policy: (1) intervals of profit distribution: if the Company makes a profit for the year and the accumulated undistributed profit is positive, it shall distribute profits at least once a year; (2) specific conditions for cash dividends distribution and the minimum percentage of cash dividends distribution: on the premise of ensuring the Company's sustainable operation and long-term development, if the Company does not undergo matters (excluding investments with raised funds) including major investment plans and major cash expenditures, and provided that the Company makes a profit for the year and the accumulated undistributed profit is positive, the Company shall distribute dividends in cash. The profits distributed by the Company in cash each year shall not be less than 20% of distributable profits achieved in that year. The Board of Directors of the Company

## Section VI Company Governance and Corporate Governance Report

### (II) Special explanation of cash dividend distribution policies

Whether the provisions of the Articles of Association or the requirements of the resolutions of general meetings are complied with	✓ Yes	No
Whether the standard and proportion of dividends are explicit and clear	✓ Yes	No
Whether relevant decision making procedures and mechanisms are adequate	✓ Yes	No

## Section VI Company Governance and Corporate Governance Report

### XXIV. THE ESTABLISHMENT AND IMPLEMENTATION OF ASSESSMENT SYSTEM AND INCENTIVE SYSTEM FOR THE SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The remuneration and assessment committee performed assessment concerning the performance and implementation of the duties of the senior management according to the actual completed production and operating results of the Company in 2022, to ensure the remuneration of the senior management was closely linked to their management and operating results, and thus strengthen the incentive effect of the assessment. During the Reporting Period, the Company did not implement any equity incentive scheme.

### XXV. THE ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

#### (I) Statement of the responsibilities for internal control

The Board of Directors is responsible for the establishment, improvement and effective implementation of internal controls system, the evaluation of the effectiveness of the implementation of internal control, and the truthful disclosure in the internal control evaluation report. In accordance with the relevant requirements of the Company Law, the Securities Law, the Accounting Law of the People's Republic of China, the Guidelines of the SSE for the Internal Control of Listed Companies, the Basic Norms for Enterprise Internal Control and other internal control regulatory requirements and regulations, the Board of Directors has established and improved the risk control measures in all aspects with a risk management-oriented approach, which is known as the risk management internal control management system. The system is intended to manage rather than eliminate the risk of failing to achieve our business objectives, and the Board of Directors can only provide reasonable rather than absolute assurance against material misstatement or loss. In 2022, the Group internal audit monitored risk levels of the Group by implementing on-site test of the effectiveness of the internal control management system and gave reasonable guarantee for the Company's compliance with the rules in the risks and control activities of its operation and management, standardize operation, risk prevention, assets security, and true, accurate and complete disclosure of financial reports and information, so as to facilitate the Company's achievement of its development strategy.

#### (II) The establishment of risk management and internal control system of the Company

##### 1. Risk management and internal control of the Company and their characteristics

The Company has always been dedicated to the establishment of an internal control system in line with international standards and regulatory requirements. In accordance with regulatory requirements, the Company has established an internal control management system of risk management under regulatory requirements, and keeps optimizing the internal control system. Thus, the organic integration of risk management and internal control has been realized, and the enterprise's risk prevention and control capability and control means have been significantly improved, which has an actual effect on enterprise management.

The Company promoted the delineation of responsibilities and coordination across the three lines of defense, namely "the business and functional departments which would conduct self-assessment on effectiveness of internal control, the internal audit departments which would conduct independent evaluation, and the external accounting firm which would conduct the internal control audit". The three lines of defense supplement and promote each other, which guaranteed the effective operation of the internal control system, strengthened the business departments' ability to directly assume the responsibilities of risk management and control, and achieved the routine operation mechanism of risk management and internal control which can be described as "Everyone has Risk Management Consciousness, everyone is Involved in Internal journey to the achieve its great strategic objectives.

## Section VI Company Governance and Corporate Governance Report

### 2. Composition of the risk management and internal control system of the Company

The Board of Directors is responsible for the establishment, improvement and effective implementation of the risk management-oriented internal control, and assesses its effectiveness at least once a year. The audit committee and audit department were set up under the Board of Directors. Under the leadership of the Board of Directors and the supervision and guidance of the audit committee, the audit department supervises, reviews and evaluates implementation of internal controls on the risk management of the Company and its subsidiaries, coordinates the internal control audit and other relevant issues. The management of the Company is responsible for leading an effective operation of the risk management-oriented internal control system. During the Reporting Period, the Board of Directors has evaluated and confirmed that the internal control system is effective and adequate.

### 3. Procedures for identifying, evaluating and managing significant risks of the Company

The Company established the internal control system of material information, and the procedures and internal supervisory measures addressing and disseminating share price-sensitive information. Meanwhile, it established the Internal Reporting System on Significant Information, which explicitly defined the scope of significant information and situations with significant risks. It also established an effective communication mechanism and the obligor of information reporting shall be responsible for providing materials to the secretary to the Board of Directors in a timely, accurate, truthful and complete manner. The secretary to the Board of Directors will analyze and determine significant information after receiving the materials and report to the chairman and president of the Company. Where such information is subject to the obligation of information disclosure to the public, it shall be reported to the Board of Directors and the Board of Supervisors and disclosed to the public according to relevant regulations.

In terms of information disclosure, the Company established the Information Disclosure Management Policy, the Sensitive Information Verification Management Policy, the Registration and Management of Persons with Inside Information and other policies to prevent any improper use and circulation of sensitive information. Meanwhile, the Company carried out information disclosure in a true, accurate, complete, and timely manner pursuant to the laws and regulations including the Hong Kong Listing Rules, the Rules Governing the Listing of Stocks on the SSE, and the Articles of Association, so as to ensure equal opportunities of all investors to timely access relevant information of the Company.

### 4. Measures adopted by the Company for material internal control deficiency

Based on the major work objectives for the year and areas susceptible to material business risks, in respect of the material risks assessed for the year, the Company has adopted detailed measures for controlling the material risks, tracked the effectiveness of risk control in a timely manner, and determined the body responsible for material risk control and its terms of references. As for the significant control deficiencies that have been identified during the period and the unforeseen outcomes or contingencies resulted there from, the management, the audit committee and the Board of Directors shall be timely informed so as to make risk management emergency plans in a timely manner. The audit committee and the Board of Directors will supervise the implementation of such emergency plans, analyze and assess again the impact of such matter on the Company, and fully assess, study and judge the feasibility of the emergency plans.

## Section VI Company Governance and Corporate Governance Report

### XXVI. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

During the Reporting Period, the Group continued to strengthen the management of its subsidiaries, it controlled risks in the organizational structure, resource utilization, asset management and investment operation of the subsidiaries by establishing effective control mechanisms; and provided guidance, supervision and service for the operation of subsidiaries by means of system and process formulation, authorization and approval, and performance assessment. Under the general policy and strategic planning of the Group, the subsidiaries conducted independent operation, independent accounting, autonomous management, and operation that in compliance with laws and regulations. The Board of Directors and the audit committee were of the view that the Group's risk management on its subsidiaries and the actual operation of the Group's risk management and internal control was in line with the requirements in relation to governance practices of listed companies issued by the CSRC.

### XXVII. RELEVANT INFORMATION ON THE INTERNAL CONTROL AUDIT REPORT

According to the identification of significant internal control deficiencies in respect of the financial report of the Company, during the Reporting Period, the Company had no significant deficiency in internal control in respect of the financial report. The Board of Directors was of the view that the Company had maintained, in all material respects, effective internal control in respect of the financial report in accordance with the requirements of the internal control regulatory system and relevant regulations.

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) has audited the effectiveness of relevant internal control of the financial statements of the Company. As at the base date of the evaluation report, it found no significant deficiency in the internal control, and issued an unqualified audit report on the internal control.

Whether to disclose the internal control audit report: Yes

Type of opinion on the audit report of internal control: Standard unqualified opinion

## Section VII Environmental and Social Responsibility

### I. ENVIRONMENTAL INFORMATION

Whether established relevant mechanisms for environmental protection Yes

Investment in environmental protection during the Reporting Period (unit: ten thousand yuan) 7,048.09

#### (I) Explanations on the environment protection by the Company and its major 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") has been listed on the "Polluting Enterprises under Key Supervision by the State" by the Ministry of Environmental Protection. Chongqing Float Glass had a total of two automotive grade float glass production lines, both of which were under normal production and used natural gas, a kind of clean energy, as fuel. The exhaust gas produced in the natural gas combustion is discharged through 100m chimneys to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO<sub>2</sub> and NOx. Chongqing Float Glass implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

The waste gas produced by the two production lines of Chongqing Float Glass is discharged through two high chimneys, of which the average emission concentration of special pollutants of No. DA012 waste gas discharge outlet was 7.81 mg/m<sup>3</sup> and total emission was 2.23 tons; the average emission concentration of SO<sub>2</sub> was 126.79 mg/m<sup>3</sup> and total emission was 39.94 tons; and the average emission concentration of NOx was 450.3 mg/m<sup>3</sup> and total emission was 136.92 tons. The average emission concentration of special pollutants of No. DA001 waste gas discharge outlet was 14.47 mg/m<sup>3</sup> and total emission was 3.25 tons; the average emission concentration of SO<sub>2</sub> was 111.63 mg/m<sup>3</sup>, and total emission was 27.12 tons; and the average emission concentration of NOx was 407.61 mg/m<sup>3</sup> and total emission was 99.51 tons. Total permitted emission quantities per discharge outlet per year: 40.664 tons/year, 325.311 tons/year and 569.295 tons/year. 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 m<sup>3</sup>/hour and an actual treatment capacity of 70,000 m<sup>3</sup>/hour to 80,000 m<sup>3</sup>/hour for each. One of the facilities has been technologically upgraded to an integrated flue gas treatment facility for desulfurization, dust removal and denitrification (ceramic catalyst cartridge filter) in 2021. The above facilities are under normal operation.

## Section VII Environmental and Social Responsibility

2. Construction and operation of pollution prevention and control facilities



## Section VII Environmental and Social Responsibility

### (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. 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 is discharged through 100m chimneys to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO<sub>2</sub> and NOx. Fuqing Float implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

Fuqing Float has constructed three sets of dust removal and denitration facilities, two of which have been upgraded to an integrated facility for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter) in 2021 and 2022, respectively. 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 facility for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter), each with a designed treatment capacity of 100,000 m<sup>3</sup>/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 m<sup>3</sup>/hour to 80,000 m<sup>3</sup>/hour.

## Section VII Environmental and Social Responsibility

### (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, production wastewater, domestic sewage, hazardous wastes, general industrial solid waste, domestic waste and noise.

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 subsidiary. Hazardous wastes in solid wastes from each subsidiary shall be collected by their production department according to different classes, managed by the logistics department of the subsidiary, 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.

## Section VII Environmental and Social Responsibility

### (3) Aluminum accessories business division

The Company's aluminum accessories business division is mainly engaged in the design,

## Section VII Environmental and Social Responsibility

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

1. Through smart energy platform, the core system 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. Since 2015, the Company has carried out a comprehensive evaluation and technical demonstration on the technology and application of photovoltaic power generation system, and finally determined the use of plant roof resources to install a distributed photovoltaic power generation system, using the photovoltaic power generation application mode of "self-generate, self-use, and surplus electricity goes to the grid". Such mode follows the principles of adapting measures to local conditions, clean and efficient, decentralized distribution and nearby consumption and utilization, and makes full use of local solar energy resources to replace and reduce fossil energy consumption as a supplement to regional load development power supply. Since 2017, the Company has successively and respectively built distributed photovoltaic power generation systems in eight subsidiaries including Fuqing Float, Zhengzhou Fuyao Glass Co., Ltd., Tianjin Hongde Auto Glass Co., Ltd. and Fuyao Glass (Suzhou) Co., Ltd., with a total installed capacity of 94MW, providing reliable, green and clean electricity for the companies where the projects are located.
3. The Company advocates green production. The float glass business divisions in China have obtained the green factory certification. In the production process, the float glass business division uses natural gas as production fuel and has adopted an integrated desulfurization and denitrification technology for reducing pollutant emissions. It also fully utilizes the waste heat in the smoke generated during production to generate electricity or for the use of thermal insulation warehouses in the plants, office buildings and living areas.
4. The Company constantly optimizes its production techniques, focuses on process details, identifies improvement opportunities, improves production efficiency and finished product rate, and reduce energy consumption per unit. The main measures are: upgrading energy-saving fan to reduce the tempering power; optimizing the high pressure parameters of laminated glass to reduce the time of high pressure; upgrading the heat preservation system for encapsulated injection screws to reduce the temperature loss of the screw units; optimizing production time and increasing output per unit time; increasing process monitoring and reducing reject rate, etc.
5. The Company practices green development philosophy and builds a resource-saving and environment-friendly enterprise. By innovative means such as equipment upgrading, technique improvement and green R&D, the Company continuously optimizes green indicators such as energy use and waste treatment throughout the whole process, chain and cycle. It has been certified as a green supply chain management enterprise and a green factory by the Ministry of Industry and Information Technology. The Company has set up an intelligent innovation center and an intelligent network innovation team to speed up research and development and tackling of key problems. It has achieved breakthroughs in core technology fields of automotive glass such as key molding technique and equipment, glass antenna, coating and photoelectric. Lightweight ultra-thin glass, heatable coated glass, head-up display glass, ultra-insulating glass, ETC RFID 5G glass with network antenna, intelligent panoramic ceiling glass and other glasses have been developed, to bring users a brand new green, intelligent, energy saving, environment-friendly, safe and comfortable driving experience. In the field of product research and development, the Company sets strict requirements on whether the products meet the requirements of environmental laws and regulations, and whether qualified raw materials and dosage thereof are used; in the procurement of raw materials, only those who meet the Company's environmental requirements can become qualified suppliers. Also, in response to national requirements of "carbon neutral", "carbon peak", Fuyao actively introduces highly automated production lines in innovative product manufacturing, which greatly improves product production efficiency and product quality, and further reduces energy consumption in production.

## Section VII Environmental and Social Responsibility

### (IV) Measures taken to reduce its carbon emissions during the Reporting Period and its effects

Carbon reduction measures are taken or not	Yes
Carbon dioxide equivalent reduction (unit: ton)	111,431
Type of carbon reduction measures (such as the use of clean energy for power generation, the use of carbon reduction technology in the production process, and the development and production of new products that contribute to carbon reduction, etc.)	<p>Carbon reduction measures are mainly self-built photovoltaic power and waste heat utilization, and major measures in 2022 consist of the following:</p> <ol style="list-style-type: none"> <li>1. Fuyao Group (Shenyang) Automotive Glass Co., Ltd. Phase II distributed photovoltaic project construction, which is planned to be put into operation in 2023, is expected to reduce carbon dioxide equivalent by 776.9 tons annually;</li> <li>2. Fuyao Group (Shanghai) Automotive Glass Co., Ltd. 7.5MW/22.5MWH energy storage project reduces 65,000 tons of carbon dioxide equivalent emissions annually;</li> <li>3. In 2022, Fujian Wanda Automobile Glass Industry Co., Ltd. and Fuyao Group (Shenyang) Automotive Glass Co., Ltd. each built a smart energy management system, through which Fuqing Automotive Glass reduces 8,442 tons of carbon dioxide equivalent annually;</li> <li>4. Centrifugal air compressor waste heat comprehensive utilisation project of Guangzhou Fuyao Glass Co., Ltd. recovers waste heat to supply hot water to the workshop washing machine and dehumidifier instead of electric heating to achieve energy-saving effect, and reducing 1,845 tons of carbon dioxide equivalent emissions annually;</li> <li>5. Float Glass Business Division has strictly followed the implementation requirements of the energy management system, done a good job in energy conservation and emission reduction, and enhanced thermal insulation performance by binding bricks in melting furnaces, thus reducing natural gas consumption; eliminated backward motors, powered on batching lighting system in sections, realized linkage between hydrogen production framework and lye pump equipment, reduced power consumption and other measures to reduce carbon dioxide emissions. For example, Chongqing float nitrogen and hydrogen reduction project, through reducing the use of protective gas in tin bath and reducing the unit consumption of nitrogen and hydrogen, generally reduced the power consumption of nitrogen and hydrogen, saving 3.5 million kwh of electricity annually and reducing 1,840 tons of carbon dioxide equivalent annually.</li> </ol>

*Note:* The above reduction in carbon dioxide equivalent emissions was calculated based on energy data: photovoltaic and waste heat power.

# Section VII Environmental and Social Responsibility

## II. SOCIAL RESPONSIBILITY

### (I) Whether the social responsibility report, sustainable development report or ESG report are disclosed separately

The Company has prepared and disclosed the 2022 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. in accordance with the relevant provisions of the SSE. At the same time, the Company has also prepared and disclosed the 2022 Environmental, Social and Governance Report in accordance with the provisions of Appendix 27 of the Hong Kong Listing Rules. The 2022 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd., the 2022 Environmental, Social and Governance Report and the 2022 Annual Report for A Shares and 2022 Annual Results Announcement for H Shares will be disclosed on the same date.

### (II) Details of Social Responsibility

External donations and public welfare projects	Quantity/Content
Total investment ( <i>RMB10,000</i> )	52,639.36
Including: Funds ( <i>RMB10,000</i> )	52,639.36
Materials converted into cash ( <i>RMB10,000</i> )	
Number of beneficiaries ( <i>person(s)</i> )	

#### Illustration

The above data include the external donation and public welfare project investment of RMB525,004,200 of Heren Charitable Foundation, which was established via 300 million Shares of Fuyao Glass held by Mr. Cho Tak Wong. Heren Charitable Foundation is an independent charitable foundation that operates in accordance with the PRC laws and its articles of association. Mr. Cho Tak Wong and 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 of Mr. Cho Tak Wong and his associates.

## Section VII Environmental and Social Responsibility

### III. DETAILS OF CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALISATION

Poverty alleviation and rural revitalisation project	Quantity/Content
Total investment ( <i>RMB10,000</i> )	52,342.42
Including: Funds ( <i>RMB10,000</i> )	52,342.42
Materials converted into cash ( <i>RMB10,000</i> )	
Number of beneficiaries ( <i>person(s)</i> )	
Ways of assistance (such as poverty alleviation through development of industries, provision of employment and development of education, etc.)	Ecological poverty alleviation, poverty alleviation through development of education and poverty alleviation through promotion of culture

#### Illustration

The above data include investment of RMB522,704,200 for the poverty alleviation and rural revitalisation projects of Heren Charitable Foundation, which was established via 300 million Shares of Fuyao Glass held by Mr. Cho Tak Wong. Heren Charitable Foundation is an independent charitable foundation that operates in accordance with the PRC laws and its articles of association. Mr. Cho Tak Wong and 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.

The above data are included in the investment amount of “External donations and public welfare projects” of “II. Social Responsibility” in this section.

## Section VIII 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
Other undertakings	Dividend	Fuyao Glass Industry Group Co., Ltd.	For details, please refer to the "Dividend Distribution Plan of Fuyao Glass Industry Group Co., Ltd. for the Shareholders for the Upcoming Three Years (2021-2023)" dated June 18, 2021 published on the Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).	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 VIII Significant Events

### 1. Non-competition

In order to eliminate any future competition with the Company, each of Mr. Cho Tak Wong, Ms. Chan Fung Ying (Mr. Cho Tak Wong's spouse and the controlling shareholder of Yaohua), Sanyi Development Ltd. ("Sanyi"), Home Bridge Overseas Limited (which has been renamed as "Homekiu Overseas Holdings Limited", hereinafter referred to as "Homekiu") and Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua") undertook to the Company on February 8, 2002 that, so long as they remain substantial shareholders of the Company, they will not, and will procure all companies they control not to engage in or develop any business competing or potentially competing with the main business or key products of the Company, including investment in,

## Section VIII Significant Events

### III. THE APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: '0,000 Currency: RMB

#### Current appointment

Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)	
Remuneration for the domestic accounting firm		488
Years of audit of the domestic accounting firm		21
Names of certified public accountants of the domestic accounting firm	Zheng Jiayan (鄭嘉彥), Zang Chengqi (臧成琪)	
Consecutive years of auditing services by certified public accountants of the domestic accounting firm		4
Name of the overseas accounting firm	PricewaterhouseCoopers	
Remuneration for the overseas accounting firm		107
Years of audit of the overseas accounting firm		8

#### Name

#### Remuneration

Accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)	75
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*Note:* Save for the above, in 2022, the Company did not incur non-audit business expenses such as consulting fees and due diligence fees paid to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the auditor. All of the aforesaid data is tax inclusive. The total amount of remuneration for the above-mentioned audit services exclusive of tax was RMB6,320,800, and the amount of tax was RMB379,200.

### IV. MATERIAL LITIGATION AND ARBITRATION

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

### V. THE CREDIT STANDING OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

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

## Section VIII Significant Events

### VI. SUBSTANTIAL CONNECTED TRANSACTIONS

#### (I) Non-exempt continuing connected transactions disclosed in accordance with the requirements of the Hong Kong Listing Rules

During the Reporting Period, the Company carried out connected transactions (as defined in the Hong Kong Listing Rules) with Global Cosmos German Limited and Fujian Yachua Industrial Village Development Co., Ltd., or entered into agreements in respect of relevant transactions:

- (1) On October 25, 2017, in order to satisfy the production needs of Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, and to secure the long-term stability of the lease, Fuyao Europe GmbH entered into a lease agreement with Global Cosmos German Limited on October 25, 2017, pursuant to which Fuyao Europe GmbH shall lease the standard production plant located at OhmStrasse 1, 74211 Leingarten, Germany 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.

The production plants leased by Fuyao Europe GmbH from Global Cosmos German Limited are constructed according to the existing production conditions of Fuyao Europe GmbH to satisfy the production needs of Fuyao Europe GmbH in virtue of its close proximity to the customers and secure the long-term stability of the lease. To obtain and use the above-mentioned leased property by way of lease rather than construction is beneficial to Fuyao Europe GmbH for expanding the production scale and improving the liquidity of its assets, thereby enabling it to invest more capital in its principal business and improve its core competitiveness. For details of the terms and conditions, please refer to the announcement titled "Continuing Connected Transaction in Relation to Leasing of Production Plant by Fuyao Europe" disclosed on October 26, 2017 by the Company on the website of the Hong Kong Stock Exchange and the announcements published on the SSE.

For the year ended December 31, 2022, the approved annual caps and the amount of transactions incurred in relation to non-exempt continuing connected transactions under the lease agreement between Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, and Global Cosmos German Limited and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transaction amount in 2022	Consolidated transaction amount in 2022
Expenses of Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, arising from leasing the properties of Global Cosmos German Limited and/or its associates under the lease contract	€3.21 million	€2.69 million

*Note:* The rent was determined by both parties through negotiations with reference to the market price of the place where the leased properties are located; the consolidated transaction amount in 2022 was exclusive of tax of €0.5111 million.

## Section VIII Significant Events

- (2) The Company entered into a lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. on October 28, 2021 to continue the lease of properties from Fujian Yaohua Industrial Village Development Co., Ltd. for three years ending December 31, 2024.

The properties leased by the Company from Fujian Yaohua Industrial Village Development Co., Ltd. are adjacent to the principal place of business and the production base of the Company in the PRC. Entering into the new lease contract between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. and carrying out the continuing connected transactions contemplated thereunder are for the establishment of stable ancillary facilities of the Company and in favor of the expansion of the Company's manufacturing scale and the enhancement of the liquidity of the Company's assets, thus saving more funds for the Company to develop its main businesses and enhancing the core competitiveness of the Company.

Principal terms of the lease contract entered into between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. mainly include: (i) the Company will lease the ancillary facilities including staff dormitory and cafeteria, training center of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I located at Honglu Town, Fuqing, Fujian Province; (ii) the total rent for the upcoming lease year shall be paid at any time between December of each year and January of such upcoming year. For details of the terms and conditions, please refer to the announcement titled "Renewal of the Connected Transaction under the Lease Contract" disclosed on October 29, 2021 by the Company on the website of the Hong Kong Stock Exchange and the announcement published on the SSE.

For the year ended December 31, 2022, the approved annual caps and the actual transaction amount incurred in relation to the non-exempt continuing connected transactions contemplated under the contract between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transaction amount in 2022	Consolidated transaction amount in 2022
Expenses of the Company arising from leasing the properties of Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates under the lease contract	Approximately RMB33.25 million	RMB32.8229 million

*Note:* The relevant annual caps were determined after taking into account the following factors: (i) the production and operation of the Company and the actual property needs of employees' lives; (ii) the market price of comparable properties in the place where the leased properties are located.

The independent non-executive directors of the Company have reviewed the above two non-exempt continuing connected transactions conducted in 2022 and confirmed that such continuing connected transactions were:

- entered into in the ordinary course of business of the Company;
- on normal commercial terms or, on terms no less favorable to the Group than the terms available to or from independent third parties (as the case may be); and
- conducted in accordance with the terms of the agreements for relevant transactions and the terms of the transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## Section VIII Significant Events

The Board of Directors of the Company has received a confirmation letter in relation to the above two non-exempt continuing connected transactions conducted in 2022 from PricewaterhouseCoopers, the auditor of the Company, confirming with respect to the continuing connected transactions as at December 31, 2022 that:

1. nothing has come to the auditor's attention that causes the auditor to believe that the transactions have not been approved by the Board of Directors of the Company;
2. as for the transactions that involve the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditors to believe that the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Group;
3. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not conducted, in all material respects, in accordance with the relevant agreements; and
4. nothing has come to the auditors' attention that causes the auditor to believe that the amounts of the transactions exceeded the annual caps set by the Company.

### (II) Connected transactions related to daily operations (disclosed in accordance with the requirements of the SSE)

1. Matters disclosed in provisional announcements but without 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, from Global Cosmos German Limited was considered and approved at the sixteenth meeting of the eighth session of the Board of Directors of the Company convened on October 25, 2017. Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, shall lease all its 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 the Lease of Properties by a 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 VIII Significant Events

### Description of the matter

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 tenth session of the Board of Directors of the Company convened on October 28, 2021. The Company has leased the ancillary facilities including staff dormitory and cafeteria, training center of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I located at Honglu Town, Fuqing, Fujian Province with a total area of 158,325.65 square meters from Fujian Yaohua Industrial Village Development Co., Ltd. at a monthly rent of RMB2,770,698.88, amounting to an annual rent of RMB33,248,386.50. The term of the lease is three years from January 1, 2022 to December 31, 2024.

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2022, the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2022 and the Resolution on the Estimate of Daily Connected Transactions between the Company and Fuyao Group Beijing Futong Safety Glass Co., Ltd. for the Year 2022 were considered and approved at the seventh meeting of the tenth session of the Board of Directors of the Company convened on October 28, 2021.

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2023 and the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2023 were considered and approved at the eleventh meeting of the tenth session of the Board of Directors of the Company convened on October 20, 2022.

### 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 the Company dated October 29, 2021 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 Connected Transaction under the Lease Contract dated October 29, 2021 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 29, 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>).

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 21, 2022 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 VIII Significant Events

Connected transactions in relation to the daily operations in 2022 are as below (disclosed in the interim announcements):

Unit: '0,000 Currency: RMB

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Estimated amounts in 2022	Actual amounts in 2022	Percentage of Settlement amount of the method of same type of connected transactions (%)	Settlement transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Purchase of goods	Procurement of raw and auxiliary materials	Market price	12,000.00	8,872.76	22.06	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	31,346.64	77.94	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		
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of raw and auxiliary materials	Market price	300.00	156.97	100	Settle in the current month
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	156.85	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	291.35	82.92	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	60.03	17.08	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 profits	600.00	451.08	100	Settled in the month following invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Acceptance of labor services from connected persons	Acceptance of labor services	Market price	5.00	2.16	28.02	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflows	Revenue from iron frame leasing	Market price	10.00	24.08	100	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other outflows	Expenditure on leasing of iron frame	Market price	20.00	20.09	100	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	3,324.84	3,282.29	55.65	Payment before June 30
Global Cosmos German Limited	Others	Other outflows	Leasehold property	Market price	2,278.62	1,909.47	32.38	Payment before June 30
Total					44,068.46	46,573.77		

*Note:* The actual amounts for the purchase of raw and auxiliary materials, revenue from iron frame leasing and expenditure on leasing of iron frame incurred between the Company and Jinken Glass Industry Shuangliao Co., Ltd. and sale of water and electricity incurred between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. in 2022 exceed the estimated amount of the whole year, but since the exceeded amounts are relatively small, such excess amounts are not required to be submitted to the Board of Directors of the Company for consideration according to the relevant provisions of the Rules Governing the Listing of Stocks on the SSE and Articles of Association.

## Section VIII Significant Events

### 2. Events 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
Jinke Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of equipment	Market price	0.65	100	30 days from the invoice date
China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd.	Others	Acceptance of labor services	Acceptance of labor services	Market price	5.55	71.98	30% prepayment, final payment to be made after acceptance
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Renting in and renting out	Leasehold property	Market price	706.00	11.97	see Note
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Water, electricity, gas and other utility expenses (purchase)	Purchase of water and electricity	Market price	8.01	100	30 days from the invoice date
Total					<u>720.21</u>		

Note to the connected transaction: As the amounts of the transactions conducted between the Company, Jinke Glass Industry Shuangliao Co., Ltd., China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. and Fujian Triplex Auto Parts Development Co., Ltd. are relatively small, such connected transactions are not required to be submitted to the Board of Directors of the Company for consideration according to the relevant provisions of the Rules Governing the Listing of Stocks on the SSE and the Articles of Association; these transactions will constitute de minimis transactions under Rule 14A.76 of the Hong Kong Listing Rules and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Note: The Group leased part of its factory buildings located in Xilou Village, Yinxi Street, Fuqing City, Fujian Province from Fujian Triplex Auto Parts Development Co., Ltd. controlled by Mr. Tso Fai, the vice chairman of the Company. The total leased area is 20,000 square meters with five-year lease term from July 1, 2021 to June 30, 2026, with a two-month rent-free period. The monthly rent excluding VAT in the first three years is RMB500,000, and the monthly rent increases by 4% from the fourth year. The property management fee (including sanitation management fee) is RMB1.50/month per square meter, and the rent of the current month shall be paid in full on the 1st day of each month; the leased area of the dormitory is approximately 9,171.7 square metres with one-year lease term from July 1, 2022 to June 30, 2023 (rent calculated based on actual occupancy). The monthly rent including tax is RMB140,000, and the rent for the next quarter shall be paid on or before the 15th day of each quarter upon receipt of the invoice.



## Section VIII Significant Events

### (III) Amounts due to or from connected parties

1. Matters disclosed in interim announcements with subsequent development or changes during 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 Transaction 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 no more than RMB90,000,000, a term of no more than 24 months, and an interest rate of no less than the RMB benchmark loan interest rate of 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 the 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>).

In order to speed up the progress of the project of Jinken Glass and enable it to provide a steady supply of raw materials to the Company as soon as possible, the Company adjusted the amount 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 of no less than the benchmark interest rate of Renminbi loans offered by financial institutions as published by the People's Bank of China for the corresponding period. The resolution had been considered and approved at the fifteenth meeting of the eighth session of the Board of Directors held on August 4, 2017. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loan to Connected Parties dated August 5, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (<http://www.sse.com.cn>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Before the expiry of the loan term, Jinken Glass made a request to the Company to extend the loan term due to its financial constraints. On March 15, 2019, the Board of Directors of the Company agreed to extend the loan term of the above-mentioned related loans to August 15, 2021 after being considered and approved by the ninth meeting of the ninth session of the Board of Directors of the Company. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to Extension of Related Loan Repayment Term dated March 16, 2019 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>).

## Section VIII Significant Events

In the first half of 2021, Jinken Glass made a request to the Company to extend the loan term due to its financial constraints. Considering that Jinken Glass can provide a stable supply of raw materials for the Company, on June 17, 2021, the Board of Directors of the Company agreed to extend the loan term of the above-mentioned related loans to August 31, 2023 after being considered and approved by the fifth meeting of the tenth session of the Board of Directors of the Company. Meanwhile, the loan interest rate is fixed at 3.85% of the loan market quoted interest rate (LPR) announced by the National Interbank Funding Center authorized by the People's Bank of China. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to Extension of Related Loan Repayment Term dated 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 RMB0.

### VII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

#### (I) Guarantee

Unit: '0,000 Currency: RMB

##### External guarantees of the Company (excluding guarantees to subsidiaries)

Total amount of the guarantees during the Reporting Period (excluding guarantees to subsidiaries)	0
Balance of the total amount of the guarantees at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	0

##### Guarantees of the Company and its subsidiaries to subsidiaries

Total amount of the guarantees for subsidiaries during the Reporting Period	3,482.30
Balance of the total amount of the guarantees for subsidiaries at the end of the Reporting Period (B)	41,787.60

##### Total amount of guarantees of the Company (including guarantees to subsidiaries)

Total amount of guarantees (A+B)	41,787.60
Total amount of guarantees as a percentage of the total equity of the Company (%)	1.44
Including:	
The amount of guarantees provided for the shareholders, de facto controller and connected parties (C)	0
The amount of debt guarantees directly or indirectly provided for 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 the contingent joint liability in connection with the settlement of unexpired guarantees	
Explanation on guarantee	

Foreign currencies are converted into RMB based on the exchange rate announced by the People's Bank of China on December 31, 2022

## Section IX Changes in Shares and Information of Shareholders

### I. CHANGES IN SHARE CAPITAL

#### (I) Changes in shares

##### 1. Changes in shares

During the Reporting Period, there were no changes in the total number of shares and share capital structure of the Company.

### II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

#### (I) Total number of shareholders

As at December 31, 2022, the total number of shareholders of the Company was 174,718, of which, 174,674 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	174,718
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed	174,713
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0
Total number of shareholders of preference shares with voting rights restored as at the end of the month preceding the day when the annual report was disclosed	0

## Section IX Changes in Shares and Information of Shareholders

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

Unit: Share

Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Particulars of top 10 shareholders			Pledged, tagged or moratorium		
		Shareholding at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED <sup>(Note)</sup>	0	595,874,359	22.83		Unknown		Unknown
Sanyi Development Limited		390,578,816	14.97		Nil		Overseas legal person
Hong Kong Securities Clearing Company Limited	138,199,937	343,162,796	13.15		Unknown		Unknown
Heren Charitable Foundation	-19,776,000	169,512,888	6.50		Pledged	70,000,000	Domestic non-state- owned legal person
Agricultural Bank of China Limited – E Fund Consumer Industry Equity Securities Investment Fund (易方達消費行業股票 型證券投資基金)	-4,221,000	40,883,281	1.57		Unknown		Unknown
Bai Yongli	0	34,653,315	1.33		Unknown		Unknown
China Securities Finance Corporation Limited	0	28,095,485	1.08		Unknown		Unknown
Fujian Yaohua Industrial Village Development Co., Ltd.	0	24,077,800	0.92		Nil		Domestic non-state- owned legal person
Li Haiqing	0	21,922,059	0.84		Unknown		Unknown
Li Fuqing	0	20,561,966	0.79		Unknown		Unknown

## Section IX Changes in Shares and Information of Shareholders

Name of shareholder	Shareholding of the top ten shareholders not subject to selling restrictions		
	Number of tradable shares held without selling restrictions	Type	Number
HKSCC NOMINEES LIMITED <sup>(Note)</sup>	595,874,359	Overseas listed foreign shares	595,874,359
Sanyi Development Limited	390,578,816	Ordinary shares denominated in RMB	390,578,816
Hong Kong Securities Clearing Company Limited	343,162,796	Ordinary shares denominated in RMB	343,162,796
Heren Charitable Foundation	169,512,888	Ordinary shares denominated in RMB	169,512,888
Agricultural Bank of China Limited – E Fund Consumer Industry Equity Securities Investment Fund (易方達消費行業股票型證券投資基金)	40,883,281	Ordinary shares denominated in RMB	40,883,281
Bai Yongli	34,653,315	Ordinary shares denominated in RMB	34,653,315
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 proxy votes casted by or on behalf of, or abstention from voting 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 Governing Acquisitions by 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 H 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 IX Changes in Shares and Information of Shareholders

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

As at December 31, 2022, 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 <sup>(3)</sup> (%)	Percentage of total issued share capital of the Company <sup>(3)</sup> (%)	Class of shares
Cho Tak Wong (an executive director and the chairman) <sup>(1)</sup>	Beneficial owner/spouse interest/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) <sup>(2)</sup>	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 based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2022.
- (4) (L) – long position.

Save as disclosed above, as at December 31, 2022, 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 IX Changes in Shares and Information of Shareholders

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

As at December 31, 2022, 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 <sup>(6)</sup> (%)	Percentage of total issued share capital of the Company <sup>(6)</sup> (%)	Class of shares
Chan Fung Ying <sup>(1)</sup>	Spouse interest/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	169,512,888(L)	8.46(L)	6.50(L)	A share
Blackrock, Inc. <sup>(2)</sup>	Interest of controlled corporation	40,092,884(L) 266,000(S)	6.61(L) 0.04(S)	1.54(L) 0.01(S)	H share

## Section IX Changes in Shares and Information of Shareholders

- (5) Schrodgers PLC holds 30,340,800 H shares (L) of the Company through several controlled entities, of which, 222,400 H shares (L) was related to the non-listed derivatives – cash settled.
- (6) The percentage is based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2022.
- (7) (L) - long position, (S) - short position, (P) - lending pool.

Save as disclosed above, as at December 31, 2022, there was no person having interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### III. PARTICULARS OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

#### (I) Controlling Shareholder

1	Legal person	
	Name	Sanyi Development Limited
	Person-in-charge or legal representative	Cho Tak Wong
	Date of establishment	April 4, 1991
	Principal business	Non-business operation investment shareholding
	Details of controlling interests and investments in other domestic and foreign listed companies during the Reporting Period	Nil



## Section IX Changes in Shares and Information of Shareholders

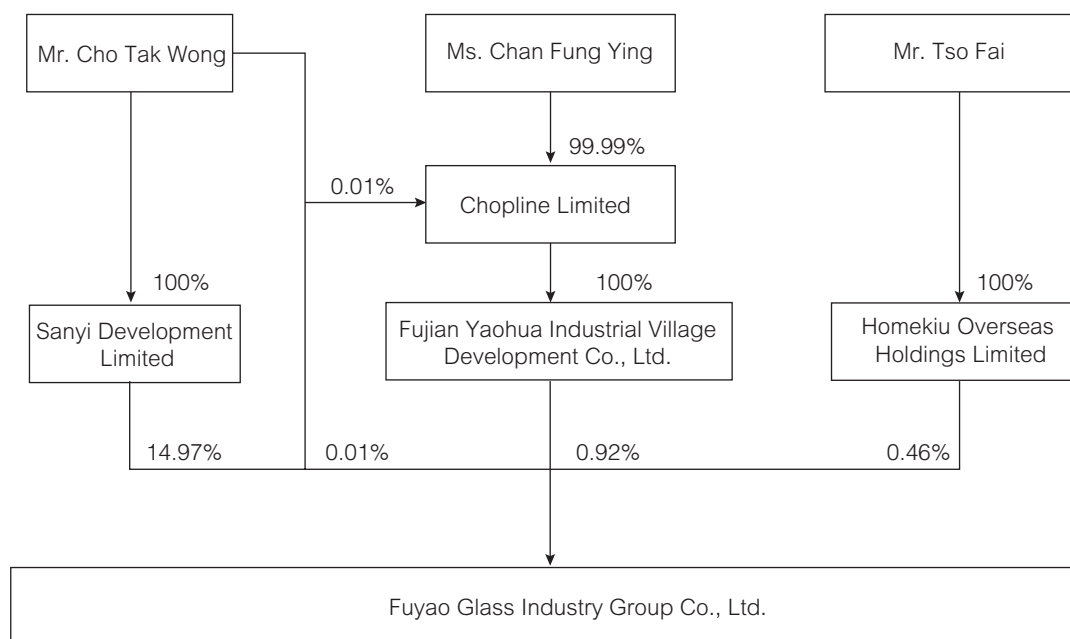
### (II) De facto controller

#### 1 Natural person

Name	Cho Tak Wong
Nationality	Hong Kong, China
Having acquired rights of residence in other countries or areas or not	No
Principal job and position	Mr. Cho Tak Wong has served as an executive director and the chairman of the Board of Directors since August 1999. Mr. Cho Tak Wong is also one of the major founders, operators and investors of the Company. Mr. Cho Tak Wong currently also serves as a director of a majority of subsidiaries of the Company and holds certain positions in many organizations, including as a member of the Advisory Committee of ALL-China Federation of Industry and Commerce, an honorary president of the China Federation of Overseas Chinese Entrepreneurs, a vice president of China Association for Public Companies, a vice president of the China Enterprise Reform and Development Society (中國企業改革與發展研究會) and an honorary president of the Fujian Charity Federation. Mr. Cho Tak Wong also serves as a director of each of Sanyi Development Limited, Global Cosmos German Limited and Trade Commerce Limited and serves as the first president of Heren Charitable Foundation.
Shareholding in companies listed domestically or overseas in the past 10 years	Nil

## Section IX Changes in Shares and Information of Shareholders

- 2 Chart setting out the share interests and controlling relationships between the Company and the de facto controller



### IV. OTHER LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDING OF OVER 10%

Unit: Yuan Currency: RMB

Name of legal person shareholder	Person-in-charge or legal representative	Date of establishment	Code of organisation	Registered capital	Principal operations or management activities, etc
HKSCC NOMINEES LIMITED	N/A	May 14, 1991	N/A	N/A	Acting as a share agent in the CCASS Securities Depository

Explanation

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 X Relevant Information on Bonds

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

#### (I) Company Bonds

1. Basic information on the issuance of company bonds from the Reporting Period up to the date of approval of the annual report

Unit: '0,000 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 2022 super short-term commercial papers of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP001	012280609	February 17, 2022	February 21, 2022	August 20, 2022	40,000	2.35	Principal and interest to be repaid in a lump sum at maturity	Inter-bank bond market	Listing for trading	No
Second tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP002	012280774	March 1, 2022	March 3, 2022	August 26, 2022	30,000	2.27	Principal and interest to be repaid in a lump sum at maturity	The inter-bank bond market	Listing for trading	No
Third tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP003	012280849	March 4, 2022	March 7, 2022	September 2, 2022	29,300	2.25	Principal and interest to be repaid in a lump sum at maturity	The inter-bank bond market	Listing for trading	No
Fourth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP004	012281353	April 6, 2022	April 8, 2022	September 28, 2022	30,000	2.27	Principal and interest to be repaid in a lump sum at maturity	Inter-bank bond market	Listing for trading	No
Fifth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP005	012281631	April 24, 2022	April 26, 2022	October 20, 2022	40,000	2.19	Principal and interest to be repaid in a lump sum at maturity	Inter-bank bond market	Listing for trading	No
Sixth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP006	012282511	July 15, 2022	July 18, 2022	December 28, 2022	30,000	1.95	Principal and interest to be repaid in a lump sum at maturity	Inter-bank bond market	Listing for trading	No
Seventh tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP007	012283018	August 24, 2022	August 25, 2022	February 16, 2023	40,000	1.76	Principal and interest to be repaid in a lump sum at maturity	Inter-bank bond market	Listing for trading	No
Eighth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP008	012283088	August 30, 2022	August 31, 2022	February 24, 2023	30,000	1.75	Principal and interest to be repaid in a lump sum at maturity	Inter-bank bond market	Listing for trading	No

## Section X Relevant Information on BJD

Unit: '0,000 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
Ninth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP009	012283340	September 23, 2022	September 26, 2022	March 24, 2023	30,000	1.74	Principal and interest to be repaid in a lump sum at maturity	Inter-bank bond market	Listing for trading	No
Tenth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP010	012283862	November 4, 2022	November 7, 2022	April 27, 2023	30,000	1.74	Principal and interest to be repaid in a lump sum at maturity	Inter-bank bond market	Listing for trading	No

## 2. Basic information of company bonds in existence on the date of approval of the annual report

Unit: '0,000 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
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	60,000	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
Ninth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP009	012283340	September 23, 2022	September 26, 2022	March 24, 2023	30,000	1.74	Principal and interest to be repaid in a lump sum at maturity	The inter-bank bond market	Listing for trading	No
Tenth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP010	012283862	November 4, 2022	November 7, 2022	April 27, 2023	30,000	1.74	Principal and interest to be repaid in a lump sum at maturity	The inter-bank bond market	Listing for trading	No

## Section X Relevant Information on Bonds

Payment of interest of bonds from the Reporting Period up to the date of approval of the annual report

Name of bonds	Explanations of the payment of interest
First tranche of 2020 medium-term notes of Fuyao Glass Industry Group Co., Ltd. (pandemic prevention and control bonds)	Completed payment of interest
First tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Second tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Third tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Fourth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Fifth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Sixth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Seventh tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Eighth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest

### 3. Intermediaries providing services for bond issuance and business in duration period

Name of intermediaries	Office address	Name of signing auditors	Contact Persons	Telephone no.
China Chengxin International Credit Rating Co., Ltd.	Building 5, Galaxy SOHO, No.2 Nanzhuganhutong, Chaoyangmennei Avenue, Dongcheng District, Beijing, 100010, the PRC	N/A	Liu Ying (劉瑩)	010-66428877
ZENITH LAW FIRM	22/F, TB# Office Building, Phase III, MIXC, Hongshanyuan Road, Gulou District, Fuzhou, the PRC	N/A	Jiang Hao (蔣浩)	0591-88065558

## Section X Relevant Information on BJD

### 4. Use of Proceeds at the end of the Reporting Period

Unit: '0,000 Currency: RMB

Name of bonds	Total proceeds	Amount utilized	Unutilized amount	The operating condition of the special account for the proceeds (if any)	Rectification of use of Proceeds (if any)	Whether the use of proceeds is in compliance with the use, plan and other undertakings made in the

## Section X Relevant Information on Bonds

### 6. 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, realised revenue of RMB28,098,754,000, representing an increase of 19.05% as compared with the corresponding period last year; realised profit before tax of RMB5,578,543,000, representing an increase of 46.10% as compared with the corresponding period last year; realised annual profit attributable to owners of the Company of RMB4,755,033,000, representing an increase of 51.16% as compared with the corresponding period last year; and realised earnings per share of RMB1.82, representing an increase of 47.97% as compared with the corresponding period last year.

During the Reporting Period, the net cash flows generated from operating activities of the Company amounted to RMB5,590,337,000, representing a year-on-year increase of 1.82%.

#### (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.

## Section X Relevant Information on BJD

### (II) Accounting data and financial indicators for the last two years as at the end of the Reporting Period (Prepared in accordance with the China Accounting Standards for Business Enterprises)

Unit: Yuan Currency: RMB

Main indicators	2022	2021	Increase/decrease for the Reporting Period as compared with the corresponding period last year (%)	Reason for changes
Annual profits attributable to owners of the Company, net of non-recurring profit or loss	4,665,705,551	2,815,935,759	65.69	mainly due to increase in profit
Current ratio <sup>(1)</sup>	1.71	1.68	1.79	
Quick ratio <sup>(2)</sup>	1.40	1.38	1.45	
Gearing ratio (%) <sup>(3)</sup>	42.90	41.29	1.61	
Total debt to EBITDA ratio <sup>(4)</sup>	0.54	0.5	8	
Interest coverage ratio <sup>(5)</sup>	19.62	12.72	54.25	mainly due to increase in profit
Cash interest coverage ratio <sup>(6)</sup>	22.95	20.43	12.33	
EBITDA interest coverage ratio <sup>(7)</sup>	27.46	19.65	39.75	mainly due to increase in profit
Loan repayment ratio (%) <sup>(8)</sup>	100	100	0	
Interest repayment ratio (%) <sup>(9)</sup>	100	100	0	

(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 recognised in finance costs + capitalised 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 + capitalised 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 XI Financial Report

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Fuyao Glass Industry Group Co., Ltd.**  
*(incorporated in the People's Republic of China with limited liability)*

### Opinion

#### What we have audited

The consolidated financial statements of Fuyao Glass Industry Group Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 123 to 216, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

# Section XI Financial Report

## Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is revenue recognition.

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Revenue recognition

The Group's revenue mainly comprises of sales of automotive glasses to original equipment manufacturer ("OEM") customers and aftermarket repairing glass ("ARG") customers in China and overseas markets. The Group recognises revenue according to the amount of rights to receive consideration when the customers obtain the control of related products.

For the year ended 31 December 2022, revenue from sales to China and overseas OEM customers amounted to RMB20,479 million, which represented approximately 73% of total revenue.

Refer to Note 2.27 to the consolidated financial statements. Revenue will be recognised when the products are shipped to the agreed delivery locations in accordance with the contracts, and customers confirm the acceptance (as the point of control transfer). Among the Group's total revenue, revenue from sales to China OEM customers is recognised when the China OEM customers confirmed the acceptance of the products in accordance with the sales contract terms. Revenue from sales to overseas OEM customers is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance. Revenue from sales to other customers, including ARG customers, is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance.

The focus on the revenue from sales to China and overseas OEM customers is due to its large volume, large number of customers involved with goods distributed to many different areas. The amount of sales to China and overseas OEM customers recognised has a significant impact on the consolidated financial statements. Therefore, we need to

# Section XI Financial Report

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Section XI Financial Report

# Section XI Financial Report

## CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		As at 31 December	
	Note	2022 RMB'000	2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	18,136,589	16,990,990
Right-of-use assets	7	575,442	595,393
Land use rights	8	997,751	995,398
Intangible assets	9	340,443	338,612
Investments in a joint venture	10	44,564	43,478
Investments in associates	10	205,476	185,346
Financial assets at fair value through other comprehensive income	16	77,567	69,321
Deferred income tax assets	11	405,971	432,929
Long-term receivables	13	316,416	461,516
		<u>21,100,219</u>	<u>20,112,983</u>
<b>Current assets</b>			
Inventories	12	5,403,360	4,327,048
Receivables, prepayments and other current assets	13	6,109,367	4,908,366
Financial assets at fair value through profit or loss	16	7,396	6,320
Financial assets at fair value through other comprehensive income	16	1,138,128	1,114,012
Restricted cash	14	38,981	2,034
Held-to-maturity term deposits with original maturity of more than three months	14	4,742,813	–
Cash and cash equivalents	14	12,237,862	14,325,322
		<u>29,677,907</u>	<u>24,683,102</u>
<b>Total assets</b>		<u><b>50,778,126</b></u>	<u><b>44,796,085</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	2,609,744	2,609,744
Share premium	18	9,680,392	9,680,392
Other reserves	18	3,723,080	2,770,394
Retained earnings	18	13,000,422	11,256,678
		<u>29,013,638</u>	<u>26,317,208</u>
<b>Non-controlling interests</b>		<u>(14,712)</u>	<u>(11,912)</u>
<b>Total equity</b>		<u><b>28,998,926</b></u>	<u><b>26,305,296</b></u>

# Section XI Financial Report

## CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2022

		As at 31 December	
	Note	2022 RMB'000	2021 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	3,007,000	2,337,718
Lease liabilities	7	476,982	507,683
Long-term payables	20	64,473	69,424
Deferred income tax liabilities	11	199,324	179,500
Deferred income on government grants	21	671,050	677,683
		<u>4,418,829</u>	<u>3,772,008</u>
<b>Current liabilities</b>			
Trade and other payables	22	6,568,838	5,248,131
Contract liabilities	23	931,585	863,737
Current income tax liabilities		331,920	246,668
Borrowings	19	9,405,383	8,250,722
Current portion of lease liabilities	7	117,694	104,797
Current portion of long-term payables	20	4,951	4,726
		<u>17,360,371</u>	<u>14,718,781</u>
<b>Total liabilities</b>		<u>21,779,200</u>	<u>18,490,789</u>
<b>Total equity and liabilities</b>		<u>50,778,126</u>	<u>44,796,085</u>

The notes on pages 129 to 216 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 123 to 216 were approved by the Board of Directors on 16 March 2023 and were signed on behalf.

**Cho Tak Wong**  
Director

**Chen Xiangming**  
Director

# Section XI Financial Report

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

		Year ended 31 December		
		2022	2021	
		RMB'000	RMB'000	
Note				
	<b>Revenue</b>	24	28,098,754	23,603,063
	Cost of sales	24,27	(18,901,092)	(15,352,658)
	<b>Gross profit</b>		9,197,662	8,250,405
	Selling expenses	27	(1,350,721)	(1,150,992)
	Administrative expenses	27	(2,152,007)	(1,953,523)
	Research and development expenses	27	(1,248,593)	(997,203)
	Net impairment losses on financial assets	3.1	(4,093)	(5,436)
	Other income	25	215,071	242,338
	Other gains/(losses) – net	26	925,649	(444,134)
	<b>Operating profit</b>		5,582,968	3,941,455
	Finance income	29	262,734	168,838
	Finance costs	29	(288,122)	(318,941)
	<b>Finance costs – net</b>		(25,388)	(150,103)
	Share of net profit of joint venture and associate accounted for using the equity method	10	20,963	26,975
	<b>Profit before income tax</b>		5,578,543	3,818,327
	Income tax expense	30	(826,310)	(675,861)
	<b>Profit for the year</b>		4,752,233	3,142,466
	<b>Profit is attributable to:</b>			
	Owners of the Company		4,755,033	3,145,652
	Non-controlling interests		(2,800)	(3,186)
	<b>Profit for the year</b>		4,752,233	3,142,466
	<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
	– Basic and diluted earnings per share (expressed in RMB per share)	31	1.82	1.23

The notes on pages 129 to 216 are an integral part of these consolidated financial statements.

# Section XI Financial Report

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
		<b>4,752,233</b>	3,142,466
<b>Profit for the year</b>		<b>4,752,233</b>	3,142,466
<b>Other comprehensive income/(loss):</b>			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	18	544,957	(56,325)
Items that will not be subsequently reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income	18	6,184	–
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>551,141</b>	(56,325)
<b>Total comprehensive income for the year</b>		<b>5,303,374</b>	3,086,141
<b>Total comprehensive income is attributable to:</b>			
Owners of the Company		5,306,174	3,089,327
Non-controlling interests		(2,800)	(3,186)
<b>Total comprehensive income for the year</b>		<b>5,303,374</b>	3,086,141

The notes on pages 129 to 216 are an integral part of these consolidated financial statements.



# Section XI Financial Report

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Note	Attributable to owners of the Company				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 17)	Share premium RMB'000 (Note 18)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000 (Note 18)			
<b>Total equity at 1 January 2021</b>	2,508,618	6,202,553	2,577,798	10,317,255	21,606,224	(3,610)	21,602,614
<b>Comprehensive income:</b>							
Profit for the year	-	-	-	3,145,652	3,145,652	(3,186)	3,142,466
<b>Other comprehensive income:</b>							
Currency translation differences	-	-	(56,325)	-	(56,325)	-	(56,325)
<b>Total comprehensive income</b>	-	-	(56,325)	3,145,652	3,089,327	(3,186)	3,086,141
<b>Investment and reduction of capital by shareholders</b>							
Issuance of ordinary shares	17,18	101,126	3,477,839	-	3,578,965	-	3,578,965
<b>Total transaction with equity holders:</b>							
Dividends relating to 2020	32	-	-	(1,957,308)	(1,957,308)	-	(1,957,308)
<b>Total transaction with equity holders, recognised directly in equity</b>							
				(1,957,308)	(1,957,308)	-	(1,957,308)
Appropriation to statutory reserve	18	-	-	248,921	(248,921)	-	-
Others		-	-	-	-	(5,116)	(5,116)
<b>Balance at 31 December 2021</b>	<u>2,609,744</u>	<u>9,680,392</u>	<u>2,770,394</u>	<u>11,256,678</u>	<u>26,317,208</u>	<u>(11,912)</u>	<u>26,305,296</u>
<b>Total equity at 1 January 2022</b>	<u>2,609,744</u>	<u>9,680,392</u>	<u>2,770,394</u>	<u>11,256,678</u>	<u>26,317,208</u>	<u>(11,912)</u>	<u>26,305,296</u>
<b>Comprehensive income:</b>							
Profit for the year	-	-	-	4,755,033	4,755,033	(2,800)	4,752,233
<b>Other comprehensive income:</b>							
Currency translation differences	-	-	544,957	-	544,957	-	544,957
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	6,184	-	6,184	-	6,184
<b>Total comprehensive income</b>	-	-	551,141	4,755,033	5,306,174	(2,800)	5,303,374
<b>Total transaction with equity holders:</b>							
Dividends relating to 2021	32	-	-	(2,609,744)	(2,609,744)	-	(2,609,744)
<b>Total transaction with equity holders, recognised directly in equity</b>							
		-	-	(2,609,744)	(2,609,744)	-	(2,609,744)
Appropriation to statutory reserve	18	-	-	401,545	(401,545)	-	-
<b>Balance at 31 December 2022</b>	<u>2,609,744</u>	<u>9,680,392</u>	<u>3,723,080</u>	<u>13,000,422</u>	<u>29,013,638</u>	<u>(14,712)</u>	<u>28,998,926</u>

The notes on pages 129 to 216 are an integral part of these consolidated financial statements.

# Section XI Financial Report

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
<b>Cash flow from operating activities</b>			
Cash generated from operations	33(a)	6,235,281	6,042,015
Income tax paid		(644,944)	(551,619)
<b>Net cash generated from operating activities</b>		<b>5,590,337</b>	<b>5,490,396</b>
<b>Cash flow from investing activities</b>			
Proceeds from disposal of property, plant and equipment	33(b)	83,421	122,876
Proceeds from disposal of intangible assets and land use rights	33(b)	–	14,952
Purchases of property, plant and equipment		(3,061,091)	(2,290,122)
Purchases of intangible assets		(42,588)	(38,390)
Purchases of land use rights		(26,574)	–
(Purchase of)/proceeds from disposal of financial assets at fair value through profit or loss – net		(16,364)	300,000
Purchase of financial assets at fair value through other comprehensive income – net		–	(11,321)
Interest received		262,734	203,264
Dividends received from investment in a joint venture		4,900	4,900
Increase in restricted cash		(36,947)	–
Increase in held-to-maturity term deposits with original maturity of more than three months		(4,742,813)	–
Government grants received relating to property, plant and equipments	21	76,917	17,777
Repayment of loans by related parties		145,100	–
<b>Net cash used in investing activities</b>		<b>(7,353,305)</b>	<b>(1,676,064)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from the additional issuance of H shares		–	3,578,964
Proceeds from borrowings		14,867,851	10,742,823
Repayments of borrowings		(13,043,226)	(9,976,147)
Dividends paid to Company's shareholders	18	(2,609,744)	(1,957,308)
Interest paid		(297,878)	(320,494)
Payment of lease liabilities		(152,886)	(110,884)
Purchase of non-controlling shareholders' equity		–	(5,137)
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,235,883)</b>	<b>1,951,817</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,998,851)</b>	<b>5,766,149</b>
Cash and cash equivalents at beginning of the year		14,325,322	8,807,952
Exchange differences on cash and cash equivalents		911,391	(248,779)
<b>Cash and cash equivalents at end of the year</b>		<b>12,237,862</b>	<b>14,325,322</b>

The notes on pages 129 to 216 are an integral part of these consolidated financial statements.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

### 1. CORPORATE INFORMATION

Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司) (“the Company”) was restructured in 1991 and incorporated in June 1992 in Fuzhou City, Fujian Province, the People’s Republic of China (“China”). The company’s headquarters is in Fuqing City, Fujian Province.

The Company’s shares have been listed on both the Shanghai Stock Exchange (“A shares”) and the Stock Exchange of Hong Kong Limited (“H shares”). On May 10, 2021, the Company successfully placed 101,126,000 H shares with a par value of RMB1 each. As at 31 December 2022, 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) and 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 and float glass for automotive purpose.

These financial statements are presented in RMB, unless otherwise stated.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are for the Group consisting of Fuyao Glass Industry Group CO., Ltd. and its subsidiaries.

#### 2.1 BASIS OF PREPARATION

The consolidated 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 consolidated financial statements have been prepared on the 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.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 BASIS OF PREPARATION (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments that are relevant to the Group for the first time for their annual reporting set out below:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12, and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the newly effective standards, amendments and interpretations that became applicable to the group first time in the twelve months ended 31 December 2022, the accounting policies adopted are consistent with those of the 2021 Financial Statements as described therein.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 SUBSIDIARIES

##### 2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

##### 2.3.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 SUBSIDIARIES (Continued)

##### 2.3.2 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the income statement.

##### 2.3.3 Separate financial statement

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.4 ASSOCIATES

An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

The carrying amount of associates investments is tested for impairment in accordance with the policy described in note 2.11.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.5 JOINT ARRANGEMENTS

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method in the Group's consolidated financial statements.

Under the equity method of accounting, investments in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investments in the joint venture are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and their carrying value and recognises the amount adjacent to share of results of joint ventures, in the consolidated income statements.

Investments in joint ventures are accounted for at cost less impairment in the Company's separate financial statements.

The carrying amount of joint arrangement investments is tested for impairment in accordance with the policy described in note 2.11.

#### 2.6 SEGMENT REPORTING

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



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 FOREIGN CURRENCY TRANSLATION

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

Foreign exchange gains and losses are presented in the consolidated income statements within "other gains/(losses) – net".

(c) **Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as net investment, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the subsidiaries exchange differences are reclassified to consolidated income statements, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives.

The estimated useful life, estimated residual rate and annual depreciation rate of property, plant and equipment, are listed as follows:

	Estimated useful lives	Estimated residual rate	Annual depreciation rate
Buildings	10 to 20 years	10%	4.5% to 9%
Machinery and equipment	10 to 12 years	10%	7.5% to 9%
Electronic and office equipment	5 years	10%	18%
Tools, moulds, vehicles and others	3 to 5 years	10%	18% to 30%

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposal are determined as the difference between the proceeds and the carrying amount and are recognised under "other gains/(losses) – net" in the consolidated income statement.

#### 2.9 LAND USE RIGHTS

Land use rights represent upfront payments made for the land use rights. It is stated at cost less accumulated amortisation and impairment losses, if any (Note 2.11). Amortisation is calculated using the straight-line method to allocate the cost of land use rights over the remaining period of the lease.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.10 INTANGIBLE ASSETS

(a) **Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) **Patents**

Acquired patents are shown at historical cost. Patents have a finite life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives.

(c) **Licenses fee**

Acquired licenses fee is shown at historical cost. Licenses fee has a finite life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

(d) **Computer software**

Acquired computer software license are capitalised on the basis of the costs incurred to acquire the specific software. Computer software is carried at cost less accumulated amortisation and impairment, if any. These costs are amortised over their estimated useful lives.

(e) **Other intangible assets**

Other intangible assets acquired are initially recognised at cost and amortised on a straight-line method over their estimated useful lives.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill or intangible assets that have an indefinite useful life – are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.12 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD-FOR-SALE

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carrying at fair value which are special exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.13 INVESTMENTS AND FINANCIAL ASSETS

##### 2.13.1 Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### 2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### 2.13.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.13 INVESTMENTS AND FINANCIAL ASSETS (Continued)

##### 2.13.3 Measurement (Continued)

###### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the income statement and presented net within other gains/(losses) in the period in which it arises.

###### Equity instruments

The group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.13 INVESTMENTS AND FINANCIAL ASSETS (Continued)

##### 2.13.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its trade receivables and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

Other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a deposit or receivable has occurred since initial recognition, the impairment is measured as lifetime expected credit losses.

#### 2.14 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there

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# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.18 RESTRICTED CASH

Restricted cash represents fixed deposits and guaranteed deposits pledged to the bank for issuance of trade facilities, such as security deposits for borrowing and guaranteed deposits for issuance of letter of credit. Such restricted cash will be released when the Group repays the related trade facilities or bank loans.

#### 2.19 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.20 TRADE AND OTHER PAYABLES

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

Trade payables and other payables are recognised initially at fair value and subsequently measured at



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.22 BORROWINGS COST

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

#### 2.23 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments refer to the forward foreign exchange contracts, foreign currency swap contracts and foreign currency option contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group uses these currency forward contracts to mitigate exposure to changes in foreign exchange rate. These forward foreign exchange contracts are held for “economic hedge”, which do not qualify for hedge accounting.

Changes in the fair value of all derivative instruments are recognised immediately in the consolidated income statements within ‘other gains/(losses) -net’.

#### 2.24 CURRENT AND DEFERRED INCOME TAX

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the areas where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.24 CURRENT AND DEFERRED INCOME TAX (Continued)

##### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is prob78 Tw ( )0aec5astoc5asr

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.25 EMPLOYEE BENEFITS (Continued)

##### (b) Pension obligations

The Group has participated in various pension plans and other post-retirement benefits in various countries where its subsidiaries operate. The Group contributes on a monthly basis to these pension plans and has no obligation for post-retirement benefits beyond the contributions made.

##### China

The employees of companies in mainland china participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the income statement for the current period or the cost of relevant assets.

##### United States of America

The Group pays fixed contributions into a local separate fund, which is responsible for paying pensions and other post-retirement benefits to the retired employees. The amounts based on the defined contribution plans are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the income statement for the current period or the cost of relevant assets.

##### Germany

The Group pays fixed contributions into a local separate fund, which is responsible for paying pensions and other post-retirement benefits to the retired employees. The amounts based on the defined contribution plans are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the income statement for the current period or the cost of relevant assets.

##### (c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to the income statement at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.26 PROVISION AND CONTINGENT LIABILITIES

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

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

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

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

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

#### 2.27 REVENUE RECOGNITION

##### Sales of products

Revenue will be recognised when the products are shipped to the agreed delivery locations in accordance with the contracts, and customers confirm the acceptance. Among the Group's total revenue, revenue from sales to China OEM customers is recognised when the China OEM customers confirmed the acceptance of the products in accordance with the sales contract terms. Revenue from sales to overseas OEM customers is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance. Revenue from sales to other customers, including ARG customers, is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance.

#### 2.28 INTEREST INCOME

Interest income from financial assets at FVPL is included in the net fair value (losses)/gains on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the income statement.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 29 below.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.29 DIVIDEND INCOME

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in the income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

#### 2.30 EARNINGS PER SHARE

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### 2.31 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.31 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.31 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

#### 2.32 GOVERNMENT GRANTS

Line basis over

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.34 RESEARCH AND DEVELOPMENT

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 FINANCIAL RISK FACTORS

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

(a) **Market risk**

(i) **Foreign exchange risk**

The primary economic environment in which the Group operates in the PRC and their functional currency is RMB. However, the Group's certain subsidiaries operate in the United States, Europe and Russia and their functional currencies are the United States Dollar ("USD"), the Euro ("EUR") and Russian Ruble ("RBL"), respectively. Also, the Group exports the products to overseas customers and the sales are usually carried out in USD and EUR. Moreover, certain cash and cash equivalents, trade and other receivables and trade and other payables are denominated in foreign currencies which expose the Group to foreign currency risk, primarily with respect to USD, EUR and RBL. The Group currently uses forward foreign exchange contracts to partially reduce the risk of changes in foreign exchange rates.

The Group uses a combination of foreign currency option, foreign currency swap contracts and forward foreign exchange contracts to control its exposure to foreign currency risk.

The foreign currency options, foreign currency swap contracts and forward foreign exchange contracts are accounted for as derivative financial instruments and the carrying amount is determined by discounted cash flow model based on future rate.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 FINANCIAL RISK FACTORS (Continued)

##### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

As at 31 December 2022 and 2021, if RMB had strengthened/weakened by 10% against the foreign currencies while all other variables had been held constant, net profit for the year of the companies in the Group whose functional currency is RMB would have changed as follows, mainly as a result of exchange gains/losses on translation of various financial assets and liabilities denominated in foreign currencies and the derivative instruments held by the Group:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net profit increase/(decrease)		
USD		
– Strengthened 10%	(390,317)	(312,553)
– Weakened 10%	<u>390,317</u>	<u>312,553</u>

##### (ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings.

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

As at 31 December 2022 and 2021, if interest rates on bank borrowings had risen/fallen by 50 basis points with all other variables held constant, the Group's net profit for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net profit increase/(decrease)		
– risen 50 basis points	(1,069)	(1,125)
– fallen 50 basis points	<u>1,069</u>	<u>1,125</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 FINANCIAL RISK FACTORS (Continued)

##### (b) Credit risk

Credit risk arises from cash and cash equivalents, financial assets at fair value through profit or loss (FVPL), favourable derivative financial instruments and other receivables, as well as credit exposures to customers, including outstanding trade receivables.

##### (i) Risk management

Credit risk is managed on a group basis. Cash and cash equivalents, including restricted cash, were deposited in the major financial institutions. For derivative financial instruments and financial assets at fair value through profit or loss and fair value through other comprehensive income, the Group also chose to deal with these financial institutions which the directors believe are of high credit quality.

For trade receivables and other receivables, the Group made policies to control credit risk exposure. The Group assesses the credit risk of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group monitored customer credit records regularly. For customers with poor credit history, the Group will apply written reminders, cancel credit terms or terminate business with customers to ensure that the Group's overall credit risk is within the controllable range.

##### (ii) Impairment of financial assets

Trade receivables for sales of inventory and other receivables are subject to the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the ageing.

The expected loss rates are based on the payment profiles of corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Chinese and global GDP for the goods it sells and services it provides as the most important factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

When considering forward-looking information, the Group takes different macroeconomic scenarios into consideration. The Group regularly monitors and reviews important macroeconomic assumptions and parameters for calculating ECL, including Chinese and global GDP. In 2022 and 2021, the Group took into account the uncertainty arising from COVID-19 and updated the relevant assumptions and parameters accordingly. The key macroeconomic parameters applied in various scenarios were mainly as follows:

	Economic Scenarios		
	Benchmark (Weights: 80%)	Unfavourable (Weights: 10%)	Favourable (Weights: 10%)
In 2022	GDP 2.10%-5.00%	-0.40%-4.00%	3.50%-6.00%
In 2021	GDP 4.40%-5.20%	3.00%-3.80%	6.00%-6.60%

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 FINANCIAL RISK FACTORS (Continued)

##### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

On that basis, the loss allowance as at 31 December 2022 (on adoption of IFRS 9) was determined as follows for trade receivables:

At 31 December 2022	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	0.08%	29.39%	92.54%	100.00%	-
Gross carrying amount – trade receivables	5,462,263	5,462	2,135	3,560	5,473,420
Loss allowance – IFRS 9	4,406	1,605	1,975	3,560	11,546
Individually impaired receivables	-	4,688	1,360	-	6,048
<b>Total loss allowance</b>	<b>4,406</b>	<b>6,293</b>	<b>3,335</b>	<b>3,560</b>	<b>17,594</b>

As at 31 December 2022 and 31 December 2021, the loss allowance for other receivables and long term receivables are measured as lifetime expected credit losses.

The closing loss allowances for trade receivables and other receivables as at 31 December 2022 reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables		Long term receivables	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>At 1 January</b>	<b>11,962</b>	4,865	<b>1,125</b>	46,101	<b>4,984</b>	-
Increase/(Decrease) in loss allowance recognised in the income statement during the year	<b>5,194</b>	7,179	<b>(1,101)</b>	(1,615)	-	-
Currency translation difference	<b>19</b>	(34)	<b>(19)</b>	(2,193)	-	-
Write-off against uncollectible receivables	<b>419</b>	(48)	<b>(5)</b>	(36,184)	-	-
Others	-	-	-	(4,984)	-	4,984
<b>At 31 December</b>	<b>17,594</b>	11,962	<b>-</b>	1,125	<b>4,984</b>	4,984

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 FINANCIAL RISK FACTORS (Continued)

##### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

Net impairment losses on financial assets recognised in the income statement

During the year, the following losses were recognised in the income statement in relation to impaired financial assets:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment losses		
– Movement in loss allowance for trade receivables and other receivables	5,698	9,267
– Reversal of previous impairment losses	<b>(1,605)</b>	<b>(3,831)</b>
Net impairment losses on financial assets	<b>4,093</b>	<b>5,436</b>

##### (iii) Financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and derivative financial instruments

The Group is also exposed to credit risk in relation to financial assets at fair value through profit or loss and fair value through other comprehensive income and derivative financial instruments. The maximum exposure at the end of reporting period is the carrying amount of these financial assets of RMB1,223,091,000 (2021: RMB1,189,653,000).

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 FINANCIAL RISK FACTORS (Continued)

##### (c) Liquidity risk

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

The Group had access to the following undrawn borrowing facilities as at 31 December 2022 and 2021:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Bank credit		
Expiring within one year	20,427,261	24,786,404
Expiring beyond one year	13,572,258	14,640,420
	33,999,519	39,426,824

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

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 FINANCIAL RISK FACTORS (Continued)

##### (c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2022</b>					
Borrowings, including interest payables	9,519,476	613,068	2,490,047	-	12,622,591
Long term payables	8,026	8,026	24,079	48,157	88,288
Lease Liabilities	127,553	125,873	236,721	163,277	653,424
Financial liabilities included in trade and other payables	5,835,652	-	-	-	5,835,652
	<u>15,490,707</u>				

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 CAPITAL RISK MANAGEMENT

The Group objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and capital reserves) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry, the Group monitors capital on basis of the net liability to equity ratio. This ratio is calculated as net liability divided by total capital. Net liability are calculated as total borrowings (including current and non-current borrowings, lease liabilities and long-term payables as shown in the consolidated balance sheets) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the financial statements plus net debts.

The net liability to equity ratios as at 31 December 2022 and 2021 are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Total borrowings (Note 19)	12,412,383	10,588,440
Total lease liabilities (Note 7)	594,676	612,480
Total long-term payables (Note 20)	69,424	74,150
Less: Cash and cash equivalents (Note 14)	<u>(12,237,862)</u>	<u>(14,325,322)</u>
Net liability	838,621	(3,050,252)
Total equity	<u>28,998,926</u>	<u>26,305,296</u>
Total capital	<u>29,837,547</u>	<u>23,255,044</u>
Net liability to equity ratio	<u>2.81%</u>	<u>-13.12%</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 FAIR VALUE ESTIMATION

(a) The table below analyses the Group's financial instruments carried at fair value as at 31 December 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2022</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
–equity instrument investment – held for trading ( <i>Note 16</i> )	7,396	–	–	7,396
Financial assets at fair value through other comprehensive income				
–notes receivable at fair value ( <i>Note 16</i> )	–	–	1,138,128	1,138,128
–unlisted equity securities ( <i>Note 16</i> )	–	–	77,567	77,567
	<u>7,396</u>	<u>–</u>	<u>1,215,695</u>	<u>1,223,091</u>

#### As at 31 December 2021

##### Assets

Financial assets at fair value through profit or loss				
–equity instrument investment – held for trading ( <i>Note 16</i> )	6,320	–	–	6,320
Financial assets at fair value through other comprehensive income				
–notes receivable at fair value ( <i>Note 16</i> )	–	–	1,114,012	1,114,012
–unlisted equity securities ( <i>Note 16</i> )	–	–	69,321	69,321
	<u>6,320</u>	<u>–</u>	<u>1,183,333</u>	<u>1,189,653</u>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 FAIR VALUE ESTIMATION (Continued)

##### (b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2022 and 31 December 2021:

	Foreign currency option contracts <i>RMB'000</i>	Note receivable at fair value through other comprehensive income <i>RMB'000</i>	Equity Instrument at fair value through other comprehensive income <i>RMB'000</i>	Total <i>RMB'000</i>
Closing balance as at 31 December 2021	-	1,114,012	69,321	1,183,333
Acquisitions	16,364	6,423,657	-	6,440,021
Disposals	-	(6,386,700)	-	(6,386,700)
Recognised in gains/(losses)- net	(16,364)	(12,841)	-	(29,205)
Recognised in other comprehensive income	-	-	8,246	8,246
Closing balance as at 31 December 2022	-	1,138,128	77,567	1,215,695

##### (c) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Valuation technique	Fair value at 31/12/2022 <i>RMB'000</i>	Input			
			Name	Range/ weighted average	Relationship with fair value	Observable/ Unobservable
Equity Instrument at fair value through other comprehensive income	Market multiple method	77,567	Price to book ratio	1.6-3.2	Positively correlated	Unobservable
Note receivable at fair value through other comprehensive income	Income approach	1,138,128	Discount rate	2.70%	Negatively correlated	Unobservable
		1,215,695				

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 FAIR VALUE ESTIMATION (Continued)

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

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

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

### 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.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### (c) Current and deferred income tax

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

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

#### (d) Impairment of 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 the tables in Note 3.1.

#### (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, right-of-use assets and intangible assets 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.

Due to the decline in operating profit of FYSAM Auto Decorative GmbH, a subsidiary of the Group, there are signs of impairment on the long-term assets used. The Group conducts impairment tests on the long-term assets of the subsidiary, such as property, plant and equipment and right-of-use assets, as an asset group. After comparing fair value less costs to sell the asset group with present value of the projected future cash flows, the group uses present value of the estimated future cash flows to determine the recoverable amount. Due to uncertainties in future circumstances and selling volume, the growth rate, gross margin and discount rate before tax used in the calculation of the present value of projected future cash flows are uncertain as well.

The Group conducts an impairment test on goodwill every year. The recoverable amount of the asset group or combination of asset groups containing goodwill is the higher of the net amount of the fair value of the asset group or combination of asset groups minus the disposal expenses and the present value of the estimated future cash flow, and its calculation needs to adopt accounting estimates.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 5 SEGMENT INFORMATION

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

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

### 6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and freehold land RMB'000	Machinery and equipment RMB'000	Electronic and other equipment RMB'000	Tools, moulds, vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2021</b>	5,238,634	7,477,475	1,537,097	507,417	2,354,298	17,114,921
Currency translation difference	(63,307)	(108,597)	(12,431)	(405)	(22,992)	(207,732)
Transfer	297,976	1,134,127	425,131	6,341	(1,863,575)	-
Other additions	104,466	207,945	186,789	302,792	1,509,086	2,311,078
Disposals (Note 33(b))	(16,556)	(71,184)	(48,754)	(32,135)	-	(168,629)
Depreciation (Note 27)	(353,557)	(984,783)	(456,146)	(264,162)	-	(2,058,648)
Closing net book amount	5,207,656	7,654,983	1,631,686	519,848	1,976,817	16,990,990
<b>At 31 December 2021</b>						
Cost	7,635,164	14,214,199	3,826,100	1,995,820	1,976,817	29,648,100
Accumulated depreciation	(2,427,508)	(6,559,216)	(2,194,414)	(1,475,972)	-	(12,657,110)
Net book amount	5,207,656	7,654,983	1,631,686	519,848	1,976,817	16,990,990
<b>At 1 January 2022</b>	5,207,656	7,654,983	1,631,686	519,848	1,976,817	16,990,990
Currency translation difference	184,031	199,068	21,664	14,624	37,615	457,002
Transfer	194,616	732,851	520,412	2,103	(1,449,982)	-
Other additions	41,459	106,224	62,796	320,786	2,580,484	3,111,749
Disposals (Note 33(b))	(35,328)	(94,037)	(41,735)	(15,998)	-	(187,098)
Depreciation (Note 27)	(388,121)	(1,044,832)	(442,538)	(279,297)	-	(2,154,788)
Impairment losses (Note 27)	(20,702)	(42,082)	(7,047)	-	(11,435)	(81,266)
Closing net book amount	5,183,611	7,512,175	1,745,238	562,066	3,133,499	18,136,589
<b>At 31 December 2022</b>						
Cost	8,047,503	15,014,068	4,190,799	2,260,679	3,145,457	32,658,506
Accumulated depreciation	(2,842,244)	(7,457,888)	(2,438,192)	(1,698,613)	-	(14,436,937)
Impairment	(21,648)	(44,005)	(7,369)	-	(11,958)	(84,980)
Net book amount	5,183,611	7,512,175	1,745,238	562,066	3,133,499	18,136,589

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) As at 31 December 2022, the Group was still in the process of applying for the ownership certificates of certain buildings with aggregated carrying amounts of approximately RMB327,454,000 (31 December 2021: RMB375,739,000). The Directors of the Group consider that these buildings pending ownership certificates do not affect the daily operation of the Group.
- (b) During the year, the Group has capitalised borrowing costs of RMB10,908,000 (2021: RMB6,257,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 2.56% (2021: 2.78%).
- (c) At 31 December 2022, the Group's land and above-ground buildings with the carrying amount RMB19,162,000 (31 December 2021: RMB17,767,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2021: HKD30,000,000).
- (d) In 2022, after determining the recoverable amount of property, plant and equipment by adopting the higher amount of fair value less cost of disposal and value-in-use calculated based on the present value of expected future cash flows, the Group's subsidiary FYSAM Auto Decorative GmbH accrued an impairment amounted RMB81,266,000.

#### 7 LEASES

- (a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2022 RMB'000	31 December 2021 RMB'000
<b>Right-of-use assets</b>		
Buildings	482,748	555,259
Equipment	14,831	9,159
Vehicles	33,543	18,305
Others	44,320	12,670
	<b>575,442</b>	<b>595,393</b>
<b>Lease liabilities</b>		
Current	117,694	104,797
Non-current	476,982	507,683
	<b>594,676</b>	<b>612,480</b>

- (i) Additions to the right-of-use assets during the year ended at 31 December 2022 financial year were RMB120,632,000 (31 December 2021: RMB159,055,000).
- (ii) FYSAM Auto Decorative GmbH, a subsidiary of the group, recognised impairment loss of RMB24,237,000 related to right-of-use asset in 2022 (2021: Nil).

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 7 LEASES (Continued)

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
<b>Depreciation charge of right-of-use assets</b>			
Buildings		100,226	95,099
Equipment		1,717	3,075
Vehicles		10,443	13,170
Others		10,312	11,694
		<b>122,698</b>	<b>123,038</b>
Interest expense (included in finance cost)	29	14,674	12,662
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	27	53,314	46,059
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of sales, selling expenses and administrative expenses)	27	2,309	2,076
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	27	-	-

The total cash outflow for leases in 2022 was RMB208,509,000 (2021: RMB159,019,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 9 years, but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

Extension and termination options are included in part of buildings and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable both by the Group and the respective lessor.

(e) In addition to the Right-of-use assets listed above, the land use arrangements with mainland China government are listed in Note 8.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 8 LAND USE RIGHTS

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

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
Opening net book value		995,398	1,020,870
Currency translation difference		1,248	(398)
Additions		26,574	–
Amortisation charges (Note 27)		(25,469)	(25,074)
Closing net book value		997,751	995,398
Amortisation of land use rights (included in cost of sales, selling expenses and administrative expenses)	27	25,469	25,074
Cash outflow for addition of land use rights		26,574	–

- (a) At December 31, 2022, the Group's land and above-ground buildings with the carrying amount RMB19,162,000 (31 December 2021: RMB17,767,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2021: HKD30,000,000).
- (b) As at 31 December 2022, the Group has no land use rights still in the process of applying for the ownership certificates (31 December 2021: nil).

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 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
<b>Year ended 31 December 2021</b>							
Opening net book amount	154,941	1,587	22,551	46,013	113,651	8,732	347,475
Currency translation difference	-	-	(473)	(282)	-	(10)	(765)
Additions	-	-	-	27,847	10,112	431	38,390
Disposal (Note 33(b))	-	-	-	(224)	(858)	-	(1,082)
Amortisation (Note 27)	-	(1,587)	(3,243)	(32,044)	(7,364)	(1,168)	(45,406)
Closing net book amount	<u>154,941</u>	<u>-</u>	<u>18,835</u>	<u>41,310</u>	<u>115,541</u>	<u>7,985</u>	<u>338,612</u>
<b>At 31 December 2021</b>							
Cost	154,941	32,902	67,763	200,995	147,983	26,303	630,887
Accumulated amortisation	-	(32,902)	(48,928)	(159,685)	(32,442)	(18,318)	(292,275)
Net book amount	<u>154,941</u>	<u>-</u>	<u>18,835</u>	<u>41,310</u>	<u>115,541</u>	<u>7,985</u>	<u>338,612</u>
<b>Year ended 31 December 2022</b>							
Opening net book amount	154,941	-	18,835	41,310	115,541	7,985	338,612
Currency translation difference	-	-	1,616	305	-	(1)	1,920
Additions	-	1,043	-	41,506	-	39	42,588
Amortisation (Note 27)	-	(189)	(3,396)	(30,392)	(7,540)	(1,160)	(42,677)
Closing net book amount	<u>154,941</u>	<u>854</u>	<u>17,055</u>	<u>52,729</u>	<u>108,001</u>	<u>6,863</u>	<u>340,443</u>
<b>At 31 December 2022</b>							
Cost	154,941	33,945	71,296	244,232	147,983	25,202	677,599
Accumulated amortisation	-	(33,091)	(54,241)	(191,503)	(39,982)	(18,339)	(337,156)
Net book amount	<u>154,941</u>	<u>854</u>	<u>17,055</u>	<u>52,729</u>	<u>108,001</u>	<u>6,863</u>	<u>340,443</u>

During the year, the Group had research and development cost amounted to RMB1,248,593,000 which was all expensed (2021: RMB997,203,000).



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 9 INTANGIBLE ASSETS (Continued)

#### (a) Impairment tests for goodwill

The goodwill is monitored by the management at cash generating units ("CGU") level. The following is a summary of goodwill allocation for each CGU:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Fuyao (Xiamen) Precision Corp. (Note (i))	74,942	74,942
Fujian Wanda Automobile Glass Industry Co., Ltd. (Note (ii))	62,744	62,744
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (Note (iii))	11,934	11,934
Fujian Triplex Group Holdings Co., Ltd.	4,087	4,087
Jiangsu Fuyao Automotive Trim System Co., Ltd.	1,234	1,234
	<b>154,941</b>	<b>154,941</b>

For the purpose of impairment test, goodwill has been allocated to the smallest individual of CGU identified. The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on the financial budget made by managements, with reference to the prevailing market condition, covering a period of five years and assuming the cash flow beyond the five years period would be stable. The key assumptions used for value-in-use are as follows:

#### (i) Fuyao (Xiamen) Precision Corp.

	Year ended 31 December	
	2022	2021
Gross profit margin	19%~25%	16%~24%
Discount rate	16%	16%
Budgeted growth rate	12%~16%	16%~22%
Long-term growth rate	2%	2%

#### (ii) Fujian Wanda Automobile Glass Industry Co., Ltd.

	Year ended 31 December	
	2022	2021
Gross profit margin	34%	32%
Discount rate	15%	15%
Budgeted growth rate	3%	3%
Long-term growth rate	2%	2%

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 9 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill (Continued)

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

	Year ended 31 December	
	2022	2021
Gross profit margin	41%	53%
Discount rate	17%	17%
Budgeted growth rate	5%	5%
Long-term growth rate	2%	2%

As at 31 December 2022 and 2021, management performed the value-to-use calculation and no impairment is identified.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Gross profit margin	Based on historical experience and market development expectations.
Discount rate	Reflects the specific risk of the relevant asset group.
Budgeted growth rate	Based on historical experience and market development expectations.
Long-term growth rate	The weighted average growth rate used by the Group to forecast cash flows after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each product.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Share of net assets, unlisted		
– Joint venture	44,564	43,478
– Associates	205,476	185,346
	<b>250,040</b>	<b>228,824</b>
Associates and joint venture		
Beginning of the year	228,824	206,749
– Dividends received	(4,900)	(4,900)
– Share of results	26,116	26,975
End of the year	<b>250,040</b>	<b>228,824</b>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Joint venture

(i) The Group's investments in a joint venture during the year, which is unlisted, is set out as follows:

Company name	Country/place and date of incorporation	% of ownership interest	Attributable equity interests to the Group as at 31 December		Principle activities
			2022 RMB'000	2021 RMB'000	
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包装(福州)有限公司)	Fuzhou, the PRC, 2005	49%	44,564	43,478	Production and processing of paper articles and printed matter, especially corrugated paper

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

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit RMB'000	Net assets RMB'000
Year ended 31 December 2022	<u>55,650</u>	<u>11,086</u>	<u>99,026</u>	<u>5,986</u>	<u>44,564</u>
Year ended 31 December 2021	<u>51,554</u>	<u>8,076</u>	<u>83,999</u>	<u>6,173</u>	<u>43,478</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Associates

(i) The Group's investments in associates during the year, which is unlisted, is set out as follows:

Company name	Country/place and date of incorporation	% of ownership interest	Attributable equity interests to the Group as at 31 December		Principle activities
			2022 RMB'000	2021 RMB'000	
Jinken Glass Industry Shuangliao Co., Ltd. (金鑿玻璃工業雙遼有限公司)	Shuangliao, the PRC, 2003	25%	97,090	76,191	Production and sales of float glass
Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司)	Beijing, the PRC, 2003	25%	108,386	109,155	Holding of the land and plant

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

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit/ (Loss) RMB'000	Net assets RMB'000
<b>Year ended 31 December 2022</b>					
Jinken Glass Industry Shuangliao Co., Ltd.	108,725	16,294	118,320	20,899	92,431
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	112,785	4,399	1,433	(769)	108,386
	<u>221,510</u>	<u>20,693</u>	<u>119,753</u>	<u>20,130</u>	<u>200,817</u>
<b>Year ended 31 December 2021</b>					
Jinken Glass Industry Shuangliao Co., Ltd.	123,246	51,714	90,092	21,591	71,532
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	112,958	3,803	1,418	(789)	109,155
	<u>236,204</u>	<u>55,517</u>	<u>91,510</u>	<u>20,802</u>	<u>180,687</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 11 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred income tax assets:	1,007,420	934,628
Offset against deferred income tax liabilities	(601,449)	(501,699)
Net deferred income tax assets	405,971	432,929
Deferred income tax liabilities:	800,773	681,199
Offset against deferred income tax assets	(601,449)	(501,699)
Net deferred income tax liabilities	199,324	179,500

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

Deferred income tax assets	Tax losses carried forward (a) RMB'000	Impairment provision RMB'000	Accruals RMB'000	Unrealised profit (b) RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At 31 December 2021	431,607	1,829	71,196	264,596	59,624	105,776	934,628
Recognised in the consolidated income statements	(140,981)	6,128	17,314	58,504	2,409	83,860	27,234
Impact in exchange rate change	23,949	45	6,702	718	243	13,901	45,558
At 31 December 2022	314,575	8,002	95,212	323,818	62,276	203,537	1,007,420

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 11 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

- (a) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of related tax benefits through future taxable profits is probable. As at 31 December 2022, the Group did not recognise deferred income tax assets of RMB592,156,000 (2021: RMB705,900,000) in respect of the accumulated losses of RMB2,275,753,000 (2021: RMB2,781,140,000), loss amounting to RMB200,771,000 will be expired from the year of 2023 to year 2027 (2021: RMB934,800,000 will be expired from the year of 2022 to year 2026), loss amounting to RMB2,074,982,000 will be continued to be deducted after the year of 2027 (2021: RMB1,846,340,000 will be continued to be deducted after the year of 2026).
- (b) Unrealised profit mainly attributed to the unrealised profit from intra-Group sales and tooling sales.

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

Deferred income tax liabilities	Withholding taxation on unremitted earnings of certain subsidiaries <i>RMB'000</i>	Depreciation of property, plant and equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 31 December 2021</b>	87,693	499,231	94,275	681,199
Recognised in the consolidated income statements	39,690	25,664	8,662	74,016
Impact in exchange rate change	—	44,652	906	45,558
<b>At 31 December 2022</b>	<b>127,383</b>	<b>569,547</b>	<b>103,843</b>	<b>800,773</b>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 12 INVENTORIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials	2,072,203	1,797,261
Work in process	459,106	339,844
Finished goods	2,835,477	2,139,606
Costs of fulfilling contracts	92,083	77,427
Low value consumables	23,503	20,633
	<hr/>	<hr/>
	5,482,372	4,374,771
Less: write-down to net realisable value	(79,012)	(47,723)
	<hr/>	<hr/>
	<b>5,403,360</b>	<b>4,327,048</b>

The cost of inventory recognised as expense and included in 'cost of sales' amounted to RMB9,660,253,000 for the year ended 31 December 2022 (2021: RMB7,474,561,000) (Note 27).

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>At beginning of the year</b>	<b>47,723</b>	46,623
Write-down to net realisable value (Note 27)	34,802	18,976
Impact in exchange rate change	1,938	(3,833)
Write-off of inventory provision	(5,451)	(14,043)
	<hr/>	<hr/>
<b>At end of the year</b>	<b>79,012</b>	47,723



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 13 RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Trade receivables due from third parties (a):</b>		
Notes receivables	204,612	38,888
Accounts receivables	5,274,948	4,323,196
Less: loss allowance	(17,594)	(11,962)
Trade receivables – net	5,461,966	4,350,122
<b>Other receivables due from third parties (b):</b>		
Other receivables	448,974	476,364
Less: loss allowance	(4,984)	(6,109)
Other receivables – net	443,990	470,255
<b>Amount due from related parties (Note 36(c)):</b>		
Other receivables (Note 36(c) (i))	3,923	146,728
Prepayments (Note 36(c) (ii))	1,798	10
	5,721	146,738
<b>Others:</b>		
Prepayments to suppliers	234,137	238,950
Prepaid income tax and value-added tax recoverable and refundable	279,969	163,817
	514,106	402,767
<b>Receivables, prepayments and other current assets</b>	<b>6,425,783</b>	<b>5,369,882</b>
Less: long-term receivables		
non-current portion of amount due from the third parties (i)	(316,416)	(316,416)
non-current portion of amount due from related parties (ii)	–	(145,100)
<b>Receivables, prepayments and other current assets – net</b>	<b>6,109,367</b>	<b>4,908,366</b>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 13 RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

- (i) The non-current portion of amount due from the third parties is related to the equity transaction of 75% shares of Fuyao Group Beijing Futong Safety Glass Co., Ltd. (hereinafter referred to as "Beijing Futong") to a third party, Taiyuan Jinnuo Industrial Co., Ltd. (hereinafter referred to as "Taiyuan Jinnuo") in 2018. The total consideration was RMB1,004 million, of which RMB683 million in relation to 51% of equity shares was received in 2018. The remaining RMB321 million in relation to 24% of equity shares would be past due before 31 December 2018.

On 24 December 2018, as agreed by both parties, the due date was extended to 30 June 2019. On 28 August 2019, the due date was extended to 30 June 2020. On 5 June 2020, the payment was extended to 30 June 2021.

On 17 June 2021, as reviewed and approved by the board of directors of the Company, the due date was further extended to 30 June 2024 and Taiyuan Jinnuo shall pay interest to the Company quarterly at an annual interest rate of 3.85% based on the consideration of equity transfer price. Therefore, at the end of the reporting period, its book value was listed in "long-term receivables".

According to the equity transfer agreement, if Taiyuan Jinnuo fails to pay the consideration of equity transfer on schedule, the total penalty and overdue fine to the Company within 60 days after the default, Taiyuan Jinnuo shall return all the equity of Beijing Futong to the Company and the Company will not return consideration received from Taiyuan Jinnuo. As at 31 December 2022, the Company recognised the corresponding loss allowance of RMB4,984,000 according to the expected credit loss rate within lifetime.

- (ii) The non-current portion of other receivables due from related party includes a loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd. The loan will be due in August 2023. The interest rate is at 3.85% per annum. The loan to associate is secured by 75% of share of the associate held by third parties and all assets, plants and equipments (including but not limited to buildings, land use rights, etc owned by the associate are unconditionally pledged to the Group as security for the loan. Jinken Glass Industry Shuangliao Co., Ltd. repaid the loan in advance during year of 2022.

As at 31 December 2022 and 2021, the carrying amounts of accounts receivables, notes receivables and other receivables are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	3,770,290	3,221,929
USD	1,519,175	1,328,088
EUR	528,389	373,424
Others	114,603	61,735
	5,932,457	4,985,176

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 13 RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

- (a) Trade receivables, including notes receivables and account receivables, are arising from sales of products. The credit period granted to customers is ranging from 1 month to 4 months. No interest is charged on the overdue trade receivables. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2022 and 2021 was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables – gross		
Within 3 months	5,080,868	4,092,663
3 to 6 months	345,459	220,990
6 to 12 months	35,937	36,839
Over 1 year	17,296	11,592
	<b>5,479,560</b>	<b>4,362,084</b>

- (b) Details of other receivables are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Consideration receivable from disposal of a subsidiary (i)	321,400	321,400
Interest receivables	2,983	12,098
Payments on behalf of others	38,746	27,520
Receivables from disposal of assets	30,000	46,176
Deposits and guarantees	13,019	20,639
Compensation receivable	263	8,239
Others	42,563	40,292
	<b>448,974</b>	<b>476,364</b>

- (i) For details, please refer to the description of the non-current portion of the amount due from the third parties.

- (c) As at 31 December 2022 and 2021, the fair value of trade and other receivables of the Group, except for the prepayments to suppliers, prepaid current income tax and value-added tax recoverable and refundable, which are not financial assets, approximated to their carrying amounts, due to the short-term nature of the current receivables.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 13 RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

(d) Impairment and risk

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Other receivables are subject to the expected credit loss model and have been grouped based on shared credit risk characteristics.

Note 3.1 provides for details about the calculation of the allowance.

#### 14 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND HELD-TO-MATURITY TERM DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	17,019,656	14,327,356
Less: restricted cash (b)	(38,981)	(2,034)
Less: held-to-maturity term deposits with original maturity of more than three months	(4,742,813)	–
Cash and cash equivalents (a)	<u>12,237,862</u>	<u>14,325,322</u>

(a) Cash and cash equivalents are denominated in:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	6,005,439	4,319,736
USD	4,624,901	8,330,347
EUR	369,950	537,536
HKD	1,185,994	1,078,387
JPY	42,321	49,031
KRW	2,226	2,695
RBL	7,031	7,590
	<u>12,237,862</u>	<u>14,325,322</u>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 14 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND HELD-TO-MATURITY TERM DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS (Continued)

(b) Details of restricted cash are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deposits held for the guarantee to letter of credit	37,003	–
Deposits held for civil air defense projects etc.	1,978	2,034
	<b>38,981</b>	<b>2,034</b>

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Restricted cash is denominated in:		
EUR	36,946	–
RMB	2,011	2,012
USD	24	22
	<b>38,981</b>	<b>2,034</b>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 15 Financial instruments by category

The Group holds the following financial instruments:

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Financial assets</b>			
Financial assets at amortised cost			
Trade and other receivables	13	5,593,463	4,908,366
Long-term receivables	13(i) (ii)	316,416	461,516
Cash and cash equivalents	14	12,237,862	14,325,322
Held-to-maturity term deposits with original maturity of more than three months	14	4,742,813	–
Restricted cash	14	38,981	2,034
Financial assets at fair value through other comprehensive income (FVOCI)	16	1,215,695	1,183,333
Financial assets at fair value through profit or loss (FVPL)	16	7,396	6,320
		<b>24,152,626</b>	<b>20,886,891</b>
<b>Financial liabilities</b>			
Liabilities at amortised cost			
Trade and other payables	22	5,835,649	5,248,131
Borrowings	19	12,412,383	10,588,440
Lease liabilities	7	594,676	612,480
Long-term payables	20	69,424	74,150
		<b>18,912,132</b>	<b>16,523,201</b>

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Financial assets at fair value through profit or loss</b>		
<b>Current assets</b>		
– Equity instrument investment – held for trading (a)	<u>7,396</u>	<u>6,320</u>
<b>Financial assets at fair value through other comprehensive income</b>		
<b>Non-current assets</b>		
– Unlisted equity securities (b)	<u>77,567</u>	<u>69,321</u>
<b>Current assets</b>		
– Note Receivable (c)	<u>1,138,128</u>	<u>1,114,012</u>

- (a) The held-for-trading equity instrument investment shares are the distribution of customer debt restructuring obtained by subsidiaries. As at 31 December 2022, the fair value of the held-for-trading equity instrument investment was determined based on the closing price of the Stock Exchange on the last trading day of the year.

In 2022, fair value losses on equity investments at FVPL recognised in other losses was RMB2,033,000 (2021: fair value gains on equity investments at FVPL recognised in other gains was RMB899,000).

- (b) The unlisted equity securities is the Group's subscription of 4.55% of the equity of China National Automobile (Beijing) Intelligent Connected Vehicle Research Institute Co., Ltd. The Group has no significant influence on the investee. The equity is a non-trading equity instrument, and is designated and accounted as "financial assets at fair value through other comprehensive income".

In 2022, fair value gains on equity investments at FVOCI recognised in other comprehensive income was RMB8,246,000 (2021: Nil).

- (c) In 2022, the Group discounted and endorsed part of bank acceptance notes and derecognised such note receivables according to its daily fund management needs. Therefore, the Group classified and presented bank acceptance notes as financial asset at fair value through other comprehensive income.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 17 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of A shares Thousands	Number of H shares Thousands	As at 31 December		Total share capital RMB'000
			A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	
At 1 January 2022 and 31 December 2022	<u>2,002,986</u>	<u>606,758</u>	<u>2,002,986</u>	<u>606,758</u>	<u>2,609,744</u>
At 1 January 2021	2,002,986	505,632	2,002,986	505,632	2,508,618
Issuance of H Shares (a)	<u>–</u>	<u>101,126</u>	<u>–</u>	<u>101,126</u>	<u>101,126</u>
At 31 December 2021	<u>2,002,986</u>	<u>606,758</u>	<u>2,002,986</u>	<u>606,758</u>	<u>2,609,744</u>

- (a) On 10 May 2021, the Company issued 101,126,000 new ordinary H shares of RMB1 each at HKD42.90 per share and raised gross proceeds of approximately HKD4,338,305,000 (equivalent to approximately RMB3,599,015,000).

The proceeds to the Company from issuing new ordinary H shares, net off issuing expenses were approximately RMB3,578,965,000 resulting in the increase in issued share capital of the Company by RMB101,126,000 and the share premium by RMB3,477,839,000.



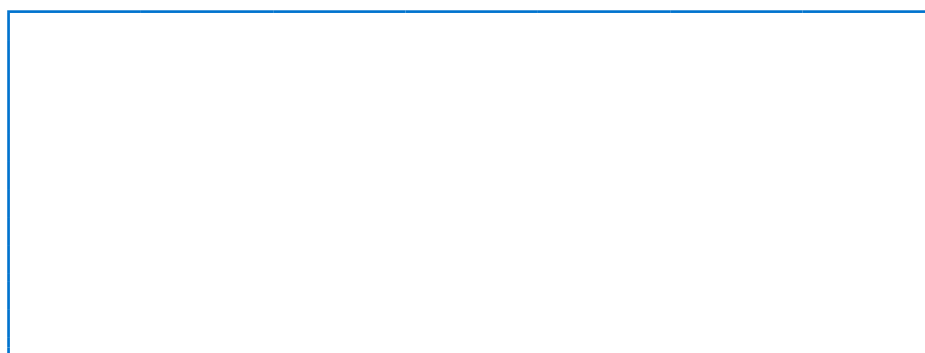
# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### 18 SHARE PREMIUM, OTHER RESERVES AND RETAINED EARNINGS

Share premium	Retained Earnings	Statutory reserves	Other reserves			Total
			Currency translation differences	Financial assets at FVOCI	Capital reserve	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 19 BORROWINGS

As at 31 December

2022 RMB'000	2021 RMB'000

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 19 BORROWINGS (Continued)

##### (b) Super short-term commercial papers

In the year 2022, the Group issued super short-term commercial paper 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 the term of the super short-term commercial paper is analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'000)
Note-22 Fuyao Glass SCP001	17 February 2022	180 days	2.35%	400,000
Note-22 Fuyao Glass SCP002	1 March 2022	176 days	2.27%	300,000
Note-22 Fuyao Glass SCP003	4 March 2022	179 days	2.25%	293,000
Note-22 Fuyao Glass SCP004	6 April 2022	173 days	2.27%	300,000
Note-22 Fuyao Glass SCP005	24 April 2022	177 days	2.19%	400,000
Note-22 Fuyao Glass SCP006	15 July 2022	163 days	1.95%	300,000
Note-22 Fuyao Glass SCP007	24 August 2022	175 days	1.76%	400,000
Note-22 Fuyao Glass SCP008	30 August 2022	177 days	1.75%	300,000
Note-22 Fuyao Glass SCP009	23 September 2022	179 days	1.74%	300,000
Note-22 Fuyao Glass SCP010	4 November 2022	171 days	1.74%	300,000

##### (c) The borrowings are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Borrowings: RMB	<b>12,412,383</b>	10,588,440

##### (d) The exposure of the borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 6 months	2,842,303	5,071,944
Between 6 months and 1 year	6,846,090	3,478,778
Over 1 year	2,723,990	2,037,718
	<b>12,412,383</b>	10,588,440

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 19 BORROWINGS (Continued)

- (e) The maturity of borrowings is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	9,405,383	8,250,722
Between 1 and 2 years	550,000	2,336,778
Between 2 and 5 years	2,457,000	940
	<b>12,412,383</b>	<b>10,588,440</b>

- (f) The weighted average effective interest rates per annum for the year ended 31 December 2022 were as follows:

	As at 31 December	
	2022	2021
Borrowings:		
RMB	2.46%	2.78%
USD	1.06%	0.64%

Interest rates of bank borrowings are resetted periodically according to the benchmark rates announced by the People's Bank of China and are denominated in RMB.

- (g) The fair values of current borrowings approximate their carrying amounts as the impact of discounting and market price is not significant. The carrying amount and fair value of non-current borrowings as at each balance sheet date are set out as follows:

	As at 31 December			
	2022 RMB'000		2021 RMB'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Bank borrowings	3,007,000	2,937,528	1,138,940	1,108,426
Medium-term notes	–	–	1,198,785	1,228,709

The fair values of non-current bank loans are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates and are within level 3 of the fair value hierarchy.

The fair values of Medium-term notes are estimated based on the full price of the end-of-day valuation of Shanghai Clearing House.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 19 BORROWINGS (Continued)

- (h) The Group has complied with the financial covenants of its borrowing during the year ended 31 December 2022 and 31 December 2021.

#### 20 Long-term payables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Payables for proceeds from transfer of mining rights	69,424	74,150
Less: Current portion of long-term payables	(4,951)	(4,726)
	<u>64,473</u>	<u>69,424</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 required to levy transfer proceeds. The Group received the payment notice and paid RMB8,026,000 in 2022 (2021: RMB7,842,000).

#### 21 DEFERRED INCOME ON GOVERNMENT GRANTS

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	677,683	735,790
Government grants received during the year (a)	76,917	17,777
Credited to the consolidated income statements (Note 25)	(84,538)	(75,573)
Currency translation difference	988	(311)
At end of the year	<u>671,050</u>	<u>677,683</u>

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

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 22 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Notes payable	2,128,400	1,623,268
Trade payables to third parties	1,964,981	1,474,466
Staff salaries and welfare payables	660,390	530,495
Payables for purchasing of property, plant and equipment	434,944	406,111
Accrual of freight fee	209,451	232,273
Accrued taxes other than income tax	72,799	72,865
Amount due to related parties (Note 36(c))	94,626	83,782
Other payables and accruals	1,003,247	824,871
	<b>6,568,838</b>	<b>5,248,131</b>

As at 31 December 2022 and 2021, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate to their carrying amounts due to short maturities.

- (a) The Group's trade payables, notes payable and other payables are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	4,809,875	3,806,381
USD	695,427	603,908
EUR	202,276	186,557
KRW	111,893	13,222
RBL	8,885	28,253
Others	7,293	6,450
	<b>5,835,649</b>	<b>4,644,771</b>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 22 TRADE AND OTHER PAYABLES (Continued)

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 3 months	3,174,644	2,343,019
3 to 6 months	892,795	731,778
6 to 12 months	16,202	14,981
Over 1 year	9,740	7,956
	<b>4,093,381</b>	<b>3,097,734</b>

#### 23 CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Contract liabilities – Automotive glasses sales contracts	<b>931,585</b>	<b>863,737</b>

- (a) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	Year ended 31 December 2022	Year ended 31 December 2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period- automotive glasses sales contracts	369,163	352,572
Revenue recognised from performance obligations satisfied in previous periods	–	–

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 24 REVENUE AND COST OF SALES

- (a) Revenue and cost of sales by product

	Year ended 31 December			
	2022		2021	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Automobile glasses	25,591,273	18,156,715	21,379,623	15,084,176
Float glasses	4,536,714	3,379,381	4,029,400	2,619,016
Others	3,015,880	2,336,990	2,350,603	1,788,809
	<b>33,143,867</b>	<b>23,873,086</b>	27,759,626	19,492,001
Less: Intra-Group sales	(5,045,113)	(4,971,994)	(4,156,563)	(4,139,343)
	<b>28,098,754</b>	<b>18,901,092</b>	<b>23,603,063</b>	<b>15,352,658</b>

- (b) Revenue by geographical areas

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
The PRC	15,197,008	12,484,386
– Domestic OEM	13,667,932	11,222,982
Other countries	12,901,746	11,118,677
– Overseas OEM	6,810,978	6,027,494
	<b>28,098,754</b>	<b>23,603,063</b>

- (c) The Group has recognised an asset in relation to costs to fulfil contracts. This is presented within inventory in the balance sheet.

Asset recognised from costs incurred to fulfil contracts at 31 December 2022 is RMB92,083,000 (As at 31 December 2021: RMB77,427,000) (Note 12).

- (d) The Group had rental income amounted to RMB34,854,000 for the year ended 31 December 2022. In addition to rental income, the Group derives revenue from the transfer of goods at a point in time.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 25 OTHER INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Government grants		
– relating to income and expense (a)	130,533	166,765
– relating to assets (Note 21)	84,538	75,573
	<u>215,071</u>	<u>242,338</u>

- (a) Governments grants received during the year primarily comprised the financial subsidies received from various local government authorities in the PRC. There are no unfulfilled conditions or contingencies relating to these governments grants.

### 26 OTHER (GAINS)/LOSSES – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Foreign exchange (gains)/losses -net	(1,045,238)	528,006
Losses/(gains) on financial assets at fair value through profit or loss and derivative financial instruments	16,364	(50,651)
Discount cost of disposals of notes receivable at fair value through other comprehensive income	12,841	14,677
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments (Note 33(a))	2,033	9,397
Loss on disposal of property, plant and equipment, right-of-use assets and intangible assets (Note 33(b))	127,947	103,004
Donation	1,396	1,293
Net gain on claims	(59,671)	(204,115)
Abnormal losses due to natural disaster	21,126	43,746
Others	(2,447)	(1,223)
	<u>(925,649)</u>	<u>444,134</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 27 EXPENSES BY NATURE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials and consumables used	10,490,040	7,995,174
Changes in inventories of finished goods and work in progress	(829,787)	(520,613)
Employee benefit expenses (Note 28)	5,224,691	4,497,363
Utilities	2,374,966	1,812,530
Depreciation of property, plant and equipment (Note 6)	2,154,788	2,058,648
Transportation and storage expenses	1,085,140	909,766
Packing expenses	551,153	474,204
Repair and maintenance fee	293,146	241,842
Taxes and levies	231,405	210,336
Insurance expenses	142,983	118,787
Depreciation of rights-of-use assets (Note 7)	122,698	123,038
Fire safety and environmental protection expenses	116,681	93,720
After-sale service expenses	97,851	81,490
Inventory scrap loss	86,625	57,518
Impairment losses on property, plant and equipment (Note 6)	81,266	–
Lease expenses (Note 7)	55,623	48,135
Travel expenses	46,727	41,888
Amortisation of intangible assets (Note 9)	42,677	45,406
Write-down of inventories to the net realisable value (Note 12)	34,802	18,976
Amortisation of land use rights (Note 8)	25,469	25,074
Impairment losses on right-of-use assets (Note 33(a))	24,237	–
Auditor's remuneration		
– Audit services	6,321	6,038
– Non-audit services	–	–
Others	1,192,911	1,115,056
	<b>23,652,413</b>	<b>19,454,376</b>

### 28 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonuses	4,331,506	3,805,402
Pension, social security costs and housing benefits	717,883	573,756
Other welfare for employee	175,302	118,205
	<b>5,224,691</b>	<b>4,497,363</b>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 28 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Pensions – defined contribution plans

There is no material forfeited contribution of the Group utilised during the year and no material forfeited contribution was left available at the year-end to reduce future contributions.

Contributions totalling RMB7,944,000 (2021: RMB1,046,000) were payable to the fund at the year-end.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2021: three directors) whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining three(2021: two) individuals during the year are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries and allowances	3,446	2,507
Bonuses	6,131	4,457
Contribution to pension scheme	236	194
Others	54	8
	<b>9,867</b>	<b>7,166</b>

The emoluments fell within the following bands:

	Year ended 31 December	
	2022	2021

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 29 FINANCE COSTS – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>Finance income:</b>		
Interest income	(262,734)	(168,838)
<b>Finance cost:</b>		
Interest on borrowings	281,601	310,857
Interest on lease liabilities ( <i>Note 7(b)</i> )	14,674	12,662
Less: borrowing costs capitalised ( <i>Note 6</i> )	(10,908)	(6,257)
Interest expense on borrowings	285,367	317,262
Amortisation of transaction costs in respect of issuance of corporate bond, medium note and super short-term commercial papers	2,755	1,679
	288,122	318,941
<b>Finance costs – net</b>	<b>25,388</b>	<b>150,103</b>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 30 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current income tax		
– Current period	870,923	664,210
– Adjustments for current tax of prior periods	(89,333)	(59,845)
Deferred income tax ( <i>Note 11</i> )	44,720	71,496
	<hr/>	<hr/>
Income tax expense	<b>826,310</b>	675,861

#### (a) PRC corporate income tax

The corporate income tax ("CIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC and the applicable tax rate in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

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

#### (b) Hong Kong profits tax

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

#### (c) United States of America profits tax

Applicable profit tax rates of the Group's subsidiaries in the United States of America are 25.64% and 27% for different subsidiaries respectively. Fuyao North America Glass Industry Co., Ltd. calculates profits tax at a rate of 27% (2021: 27%) on the estimated assessable profits during the year ended 31 December 2022. Besides, Fuyao Glass America Co., Ltd., Fuyao Glass Illinois Co., Ltd. and Fuyao America C Assets Co., Ltd. jointly reported that the deductible losses of previous years were used in the current year, so state tax was only paid in some states based on the taxable profits after making up the losses dos6 ( Fuyao)29.2 ( )602 (6):0.2 ( a)T esductible l0.2 ( )0sses aof 1 w 1 the s 1 tax hawa10.2 ( )JTJ0.02

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 30 INCOME TAX EXPENSE (Continued)

##### (e) Germany profits tax

Applicable profit tax rate of Germany is 28.43% and 28.78%. During the year ended 31 December 2022, no profit tax has been provided due to accumulated losses (2021: Nil).

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory tax rates of 10% to 31% applicable as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit for the year before income tax	5,578,543	3,818,327
Tax calculated at the applicable income tax rate	1,454,626	937,928
Tax effect of:		
Preferential income tax rate	(478,996)	(400,452)
Expenses not deductible for tax purpose	6,746	29,342
Income not subject to income tax	(6,529)	(6,744)
Unrecognised deductible temporary differences	31,889	6,798
Unrecognised tax losses carried forward	108,990	195,234
Utilisation of previously unrecognised tax losses	(216,208)	(17,969)
Utilisation of previously unrecognised deductible temporary differences	(3,914)	(2,627)
Recognition of previously unrecognised deductible temporary differences	(9,046)	–
Recognition of previously unrecognised tax losses	(11,604)	–
Withholding taxation on unremitted earnings of certain subsidiaries	39,689	(5,804)
Adjustments for current tax of prior periods	(89,333)	(59,845)
Income tax expense	826,310	675,861

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 31 EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
Net profit attributable to the equity holders of the Company (RMB'000)	4,755,033	3,145,652
Weighted average number of ordinary shares in issue (thousand)	2,609,744	2,567,608
Basic earnings per share (RMB)	1.82	1.23

- (b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential shares existed during the year.

#### 32 DIVIDENDS

The dividends paid in 2022 and 2021 were RMB2,609,744,000 (2021 annual dividend) and RMB1,957,308,000 (2020 annual dividend) respectively. On 16 March 2023, the board of directors of the the Company proposed to distribute a dividend of RMB3,262,179,000 at a retained earnings of RMB12.5 per 10 shares (tax inclusive) as at 31 December 2022. If the total share capital of the Company changes before the equity registration date for the implementation of the equity distribution, the Company intends to maintain the distribution ratio per share unchanged and adjust the total distribution accordingly. The plan still needs to be submitted to the Company's shareholders meeting for deliberation. This dividend payable does not recognise in the financial statement as a liability.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Final dividend of RMB10 (2021: RMB7.5) per 10 ordinary shares (tax inclusive)	2,609,744	1,957,308

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 33 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>Profit for the year before income tax</b>	<b>5,578,543</b>	3,818,327
<b>Adjustments for:</b>		
– Depreciation of property, plant and equipment (Note 6)	2,154,788	2,058,648
– Depreciation of right-of-use assets (Note 7)	122,698	123,038
– Amortisation of land use rights (Note 8)	25,469	25,074
– Amortisation of intangible assets (Note 9)	42,677	45,406
– Losses on disposals of property, plant and equipment, right-of-use assets and intangible assets (Note 26)	127,947	103,004
– Losses/(gains) on financial assets at fair value through profit or loss and derivative financial instruments (Note 26)	16,364	(50,651)
– Amortisation of deferred income on government grants (Note 21 and 25)	(84,538)	(75,573)
– Interest income (Note 29)	(262,734)	(168,838)
– Interest expenses (Note 29)	288,122	318,941
– Exchange (gains)/losses on cash and cash equivalents	(911,391)	248,779
– Share of results of a joint venture and an associate	(20,963)	(26,975)
– Loss allowance for trade and other receivables (Note 3.1)	4,093	5,436
– Inventory write-down to net realisable value (Note 12)	34,802	18,976
– Impairment losses on property, plant and equipment (Note 6)	81,266	–
– Impairment losses on right-of-use assets (Note 7)	24,237	–
– Change in fair value of financial assets (Note 26)	2,033	9,397
	<b>7,223,413</b>	6,452,989
<b>Changes in working capital:</b>		
– Increase in inventories	(1,107,601)	(1,065,035)
– Increase in receivables, prepayments and other current assets	(1,158,638)	(261,733)
– Increase in trade and other payables	1,278,107	915,794
Cash generated from operations	<b>6,235,281</b>	6,042,015



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2022*

### **33 CASH GENERATED FROM OPERATIONS (Continued)**

- (b) In the consolidated cash flow statements, proceeds from disposal of properties, plant and equipment, intangible assets, land-use-right and right-of-use assets comprise:

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# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 33 CASH GENERATED FROM OPERATIONS (Continued)

#### (c) Net debt reconciliation (Continued)

	Other assets		Liabilities from financing activities				Total RMB'000
	Cash and cash equivalents RMB'000	Financial assets at fair value through profit or loss RMB'000	Borrowings due within one year RMB'000	Borrowings due after one year RMB'000	Lease liabilities RMB'000	Long-term payables RMB'000	
Net debt as at 1 January 2022	14,325,322	6,320	(8,250,722)	(2,337,718)	(612,480)	(74,150)	3,056,572
Cash flows	(2,998,851)	–	835,435	(2,660,060)	152,886	8,026	(4,662,564)
Additions	–	3,109	–	–	(103,709)	–	(100,600)
Changes in fair values	–	(2,033)	–	–	–	–	(2,033)
Reclassification	–	–	(2,022,509)	2,022,509	–	–	–
Other changes	–	–	–	–	–	–	–
– Interest expense	–	–	(132,057)	(165,139)	(14,674)	(3,300)	(315,170)
– Interest payments (presented as operating cash flows)	–	–	164,470	133,408	–	–	297,878
Foreign exchange adjustments	911,391	–	–	–	(16,699)	–	894,692
Net debt as at 31 December 2022	<u>12,237,862</u>	<u>7,396</u>	<u>(9,405,383)</u>	<u>(3,007,000)</u>	<u>(594,676)</u>	<u>(69,424)</u>	<u>(831,225)</u>

### 34 CONTINGENCIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

### 35 COMMITMENTS

#### (a) Capital commitments

As at 31 December 2022, capital expenditure contracted for, but not yet incurred is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Authorised and contracted for:		
– Property, plant and equipment	<u>2,185,979</u>	<u>1,079,745</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 36 RELATED PARTY TRANSACTIONS

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2022 and 2021, and balances arising from related party transactions as at 31 December 2022 and 2021.

#### (a) Name and relationship with related parties

Name of related party	Relationship
Mr. Cho Tak Wong (曹德旺)	Single largest shareholder
Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司)	Controlled by Ms. Chan Fung Ying (the spouse of Mr. Cho Tak Wong)
Sanyi Development Ltd. (三益發展有限公司)	Shareholder of the Company, which is controlled by the single largest shareholder
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Jointly venture of the Group
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	Associate of the Group
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)	Associate of the Group
Fujian Fuyao Automotive Glass Distribution Co., Ltd. (福建三鋒汽配開發有限公司)	Controlled by the directors of the company
China National Automobile (Beijing) Intelligent Connected Vehicle Research Institute Co., Ltd. (“China National Automobile (Beijing) ”) (國汽(北京)智慧網聯汽車研究院有限公司(“國汽智聯”))	The director of the company is also the director of China National Automobile (Beijing)

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 36 RELATED PARTY TRANSACTIONS (Continued)

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

(i) Sales of goods and provision of services

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	4,482	3,898
Jinken Glass Industry Shuangliao Co., Ltd.	2,176	3,346
	<u>6,658</u>	<u>7,244</u>

(ii) Purchase of goods and services

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	313,488	264,766
Tri-Wall Packaging (Fuzhou) Co., Ltd.	88,728	80,974
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	4,511	5,120
Fujian Fuyao Automotive Glass Distribution Co., Ltd. *	80	–
China National Automobile (Beijing)	56	–
	<u>406,863</u>	<u>350,860</u>

(iii) Rental income

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	241	65

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 36 RELATED PARTY TRANSACTIONS (Continued)

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

(iv) Increased right-of-use assets as a lessee

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	-	94,908
Fujian Fuyao Automotive Glass Distribution Co., Ltd.*	-	28,127
	<u>-</u>	<u>123,035</u>

(v) Increased interest on lease liabilities as a lessee

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	2,359	-
Global Cosmos German Co., Ltd. *	2,086	2,513
Fujian Fuyao Automotive Glass Distribution Co., Ltd. *	1,093	418
	<u>5,538</u>	<u>2,931</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 36 RELATED PARTY TRANSACTIONS (Continued)

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

(vi) Key management compensation

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and short-term employee benefits	29,505	27,180
Post-employment benefits	444	385
	<b>29,949</b>	<b>27,565</b>

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

(c) Balances with related parties:

Amount due from related parties

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Other receivables (i)	3,923	146,728
Prepayments (ii)	1,798	10
	<b>5,721</b>	<b>146,738</b>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 36 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued):

(i) Other receivables:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Fuyao Group Beijing Futong Safety Glass Co., Ltd	3,208	944
Tri-Wall Packaging (Fuzhou) Co., Ltd.	313	339
Global Cosmos German Co., Ltd.	254	330
Jinken Glass Industry Shuangliao Co., Ltd.	148	145,115
	<u>3,923</u>	<u>146,728</u>

(ii) Prepayment:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	1,798	10

Amount due to related parties

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade payables (iii)	60,328	50,489
Other payables (iv)	34,298	33,293
Lease liabilities (v)	233,172	282,420
	<u>327,798</u>	<u>366,202</u>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 36 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued):

(iii) Trade payables:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	52,473	42,632
Tri-Wall Packaging (Fuzhou) Co., Ltd.	7,855	7,857
	<u>60,328</u>	<u>50,489</u>

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
– Within 3 months	60,116	50,461
– From 3 months to 6 months	212	28
	<u>60,328</u>	<u>50,489</u>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 36 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued):

(iv) Other payables to related parties:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	33,587	33,293
Fujian Fuyao Automotive Glass Distribution Co., Ltd.	711	–
	<u>34,298</u>	<u>33,293</u>

(v) Lease liabilities to related parties:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Global Cosmos German Co., Ltd.	147,570	161,087
Fujian Yaohua Industrial Village Development Co., Ltd.	64,444	94,908
Fujian Fuyao Automotive Glass Distribution Co., Ltd.	21,158	26,425
	<u>233,172</u>	<u>282,420</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 37 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 December 2022 are set out below:

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao (Hong Kong) Limited (福耀(香港)有限公司)	-	Hong Kong, December 1994	HKD2,014,681	100%	Direct	Investment holding company
Fuyao Group (Hongkong) Limited (福耀集團(香港)有限公司)	-	Hong Kong, January 2010	USD1,000	100%	Direct	Sales of automobile glass
Yung Tak Investment Limited (融德投資有限公司)	-	Hong Kong, May 1993	HKD100	100%	Indirect	Property lease
Meadland Limited (Meadland Limited)-	-	Hong Kong, December 1998	USD8,200	100%	Indirect	Investment holding company
Fuyao North America Incorporated (福耀北美玻璃工業有限公司)	-	U.S.A., August 2001	USD8,000	100%	Direct	Sales of automobile glass
Fuyao Automotive North America, INC.- (福耀玻璃配套北美有限公司)	-	U.S.A., June 2008	USD60	100%	Direct	Automotive glass accessories installation and sales
Fuyao Group Korea Co., Ltd. (福耀集團韓國株式會社)	-	Korea, September 2007	KRW 500,000	100%	Direct	Sales of automobile glass
Fuyao Japan Co., Ltd. (福耀日本株式會社)	-	Japan, July 2008	JPY 300,100	100%	Direct	Sales of automobile glass
Fuyao Europe GmbH (福耀歐洲玻璃工業有限公司)	-	Germany, June 2007	EUR 25	100%	Indirect	Automotive glass accessories installation and sales
Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd. (福耀集團(福建)機械製造有限公司)	Limited liability	PRC, March, 1994	RMB34,000	100%	Direct	Machinery Manufacturing
Fujian Wanda Automobile Glass Industry Co., Ltd. (福建省萬達汽車玻璃工業有限公司)	Limited liability	PRC, July 1994	RMB745,150	100%	Direct	Production and sales of automobile glass
Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司)	Limited Liability	PRC, September 2000	RMB600,000	100%	Direct	Production and sales of automobile glass
Chongqing Wansheng Fuyao Glass Co., Ltd (重慶萬盛福耀玻璃有限公司)	Limited liability	PRC, July 2002	RMB80,000	100%	Direct	Production and sales of automobile glass
Fuyao Group Shanghai Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司)	Limited liability	PRC, April 2002	USD68,049	100%	Direct	Production and sales of automobile glass
Shanghai Fuyao Bus Glass Co., Ltd. (上海福耀客車玻璃有限公司)	Limited liability	PRC, March 2007	RMB200,000	100%	Indirect	Production of special glass and high class bus glass
FYSAM Auto Decorative GmbH (FYSAM汽車飾件有限公司)	-	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts
FYSAM Auto Decorative International GmbH (FYSAM汽車飾件國際有限公司)	-	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司)	Limited liability	PRC, November 2007	USD30,000	100%	Direct	Production and sales of automobile glass
Fuyao Group Tongliao Co., Ltd. (福耀集團通遼有限公司)	Limited liability	PRC, October 2003	RMB500,000	100%	Direct	Production and sales of float glass
Fuyao Glass (Chongqing) Co., Ltd. (福耀玻璃重慶有限公司)	Limited liability	PRC, March 2004	USD35,000	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Hubei) Co., Ltd. (福耀玻璃湖北有限公司)	Limited liability	PRC, November 2007	USD43,000	100%	Direct	Production and sales of automobile glass
Guangzhou Fuyao Glass Co., Ltd. (廣州福耀玻璃有限公司)	Limited liability	PRC, June 2006	USD75,000	100%	Indirect	Production and sales of automobile glass
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (海南文昌福耀矽砂有限公司)	Limited liability	PRC, July 2006	RMB40,000	100%	Direct	Exploitation and sales of mineral
Fuyao Guangzhou Nansha Automotive Glass Co., Ltd. (廣州南沙福耀汽車玻璃有限公司)	Limited liability	PRC, November 2005	USD700	100%	Indirect	Provision of warehousing services
Fuyao (Changchun) Bus Glass Co., Ltd. (福耀長春巴士玻璃有限公司)	Limited liability	PRC, January 2004	USD4,850	100%	Indirect	Production and sales of automobile glass
Chongqing Wansheng Float Glass Co., Ltd. (重慶萬盛浮法玻璃有限公司)	Limited liability	PRC, April 2009	RMB300,000	100%	Direct	Production and sales of float glass
Zhengzhou Fuyao Glass Co., Ltd. (鄭州福耀玻璃有限公司)	Limited liability	PRC, April 2011	RMB300,000	100%	Direct	Production and sales of automobile glass
Fuzhou Fuyao Mould Technology Co., Ltd. (福州福耀模具科技有限公司)	Limited liability	PRC, May 2013	RMB300,000	100%	Indirect	Production and sales of mold, automotive parts, fibre products and plastic products
Fujian Triplex Group Holdings Co., Ltd. (福建三鋒控股集團有限公司)	Limited liability	PRC, November 2015	RMB100,000	100%	Indirect	Research, development, production and sales of glass and mold
Fujian Fuyao Automotive Trim System Co., Ltd. (福建福耀汽車飾件有限公司)	Limited liability	PRC, July 2015	RMB300,000	100%	Indirect	Production and sales of automotive decorations and automotive parts
Fujian Fuyao Automotive Glass Distribution Co., Ltd. (福建福耀汽車玻璃銷售有限公司)	Limited liability	PRC, February 2016	RMB100,000	100%	Indirect	Sales of automobile glass and provider of car service
Fuyao (Xiamen) PrecEn Co., Ltd.						

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 37 SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2022 are set out below (Continued):

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司)	Limited liability	PRC, March 2012	RMB10,000	100%	Indirect	Installation of automotive glass accessories
Xupu Fuyao Silica Sand Co., Ltd. (溱浦福耀矽砂有限公司)	Limited liability	PRC, July 2012	RMB15,000	51%	Indirect	Exploitation and sales of mineral
Fuyao Group (Shenyang) Automotive Glass Co., Ltd. (福耀集團(瀋陽)汽車玻璃有限公司)	Limited liability	PRC, June 2012	RMB150,000	100%	Direct	Production and sales of automobile glass
Fuyao Glass Rus Co., Ltd. (福耀玻璃俄羅斯有限公司)	-	Russia, April 2010	RUB 5,332,574	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Suzhou) Co., Ltd. (福耀玻璃蘇州有限公司)	Limited liability	PRC, March 2017	RMB400,000	100%	Direct	Production and sales of automobile glass
Chengdu Lvrong Automotive Glass Co., Ltd. (成都綠榕汽車玻璃有限公司)	Limited liability	PRC, December 2012	RMB25,000	100%	Indirect	Installation of automotive glass accessories
Yantai Fuyao Glass Co., Ltd. (煙台福耀玻璃有限公司)	Limited liability	PRC, June 2013	RMB60,000	100%	Indirect	Installation of automotive glass accessories
Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司)	Limited liability	PRC, July 2013	RMB30,000	100%	Indirect	Installation of automotive glass accessories
Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司)	Limited liability	PRC, September 2013	RMB20,000	100%	Indirect	Installation of automotive glass accessories
Benxi Fuyao Silica Sand Co., Ltd. (本溪福耀矽砂有限公司)	Limited liability	PRC, May 2014	RMB60,000	100%	Indirect	Exploitation and sales of mineral
Fuyao Glass America Inc. (福耀玻璃美國有限公司)	-	U.S.A., March 2014	USD1.5	100%	Direct	Production and sales of automobile glass
Fuyao Asset Management A, LLC (福耀美國A資產公司)	-	U.S.A., November 2013	USD0.8	100%	Indirect	Property lease
Fuyao Glass Illinois, Inc. (福耀玻璃伊利諾伊有限公司)	-	U.S.A., August 2014	USD1	100%	Indirect	Production and sales of float glass
Fuyao Asset Management C, LLC (福耀美國C資產公司)	-	U.S.A., August 2014	USD0.8	100%	Indirect	Property lease
FYSAM Auto Decorative Slovakia s.r.o. (FYSAM汽車飾件(斯洛伐克)有限公司)	-	SK, March 2018	EUR 5	100%	Indirect	Production and sales of automotive decorations and automotive parts
FYSAM Auto Decorative de Mexico S. de R.L. de C.V. (FYSAM汽車飾件(墨西哥)有限公司)	-	MX, December 2010	Mex 3	100%	Indirect	Production and sales of automotive decorations and automotive parts

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 37 SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2022 are set out below (Continued):

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Tianjin Hongde Auto Glass Co., Ltd. (天津泓德汽車玻璃有限公司)	Limited liability	PRC, May 2015	RMB400,000	100%	Direct	Production and sales of automobile glass
Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司)	Limited liability	PRC, December 2016	RMB500,000	100%	Direct	Production and sales of float glass
Fuyao (Tongliao) Refined Aluminium Co., Ltd. (福耀通遼精鋁有限責任公司)	Limited liability	PRC, November 2018	RMB10,000	100%	Direct	Production and sales of refined aluminium
JiangSu Fuyao Automotive Trim System Co., Ltd. (江蘇福耀汽車飾件有限公司)(a)	Limited liability	PRC, May 2017	RMB250,000	100%	Indirect	Production and sales of automotive decorations and automotive parts
Fujian Fuyao Automotive Aluminium system Co., Ltd. (福耀汽車鋁件(福建)有限公司)	Limited liability	PRC, February 2019	RMB150,000	100%	Direct	Production and sales of refined aluminium
Fuyao Technology Development (Suzhou) Co., Ltd. (福耀科技發展(蘇州)有限公司)(b)	Limited liability	PRC, August 2019	RMB50,000	100%	Indirect	R & D, technology transfer, technical services and technology promotion
Fuyao Tongliao Silica Sand Co., Ltd. (福耀通遼硅業有限公司)(c)	Limited liability	PRC, March 2021	RMB100,000	100%	Direct	Exploitation and sales of mineral
Fuyao High Performance Glass Technology (Fujian) Co., Ltd. (福耀高性能玻璃科技(福建)有限公司)(d)	Limited liability	PRC, August 2021	RMB10,000	100%	Direct	R & D, Production and sales of automotive glass and automotive parts

- (a) On 15 March 2019, Fujian Fuyao Automotive Trim System Co., Ltd. purchased JiangSu Fuyao Automotive Trim System Co., Ltd., with consideration of RMB66,000,000. The registered capital of JiangSu Fuyao Automotive Trim System Co., Ltd. is RMB250,000,000. As of 31 December 2022, the registered capital has not been fully paid.
- (b) On 15 August 2019, Fuyao Glass (Suzhou) Co., Ltd. established Fuyao Technology Development (Suzhou) Co., Ltd. with registered capital of RMB50,000,000. As of 31 December 2022, the registered capital has not been fully paid.
- (c) On 31 March 2021, the parent company established Fuyao Tongliao Silica Sand Co., Ltd. with registered capital of RMB100,000,000. As of 31 December 2022, the registered capital has not been fully paid.
- (d) On 23 August 2021, the parent company established Fuyao High Performance Glass Technology (Fujian) Co., Ltd. with registered capital of RMB10,000,000. As of 31 December 2022, the registered capital has been fully paid.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 38 EVENTS OCCURRING AFTER THE REPORTING PERIOD

According to the tenth board resolution of the twelfth session on 16 March 2023, the "2022 Profit Distribution Plan" was considered and approved. The Board of Directors proposed that the company distribute dividends to all shareholders, and pay a cash dividend of RMB12.5 (including tax) for every 10 shares, and a total dividend of RMB3,262,179,000. If the total share capital of the Company changes before the equity registration date for the implementation of the equity distribution, the company intends to maintain the distribution ratio per share unchanged and adjust the total distribution accordingly. The plan still needs to be submitted to the Company's shareholders meeting for deliberation. This dividend payable does not recognised in the financial statement as a liability.

#### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance Sheet of the Company

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		908,738	923,603
Right-of-use assets		66,144	96,232
Land use rights		30,980	31,998
Intangible assets		98,585	90,699
Investments in subsidiaries		8,319,655	8,051,383
Financial assets at fair value through other comprehensive income		77,567	69,321
Investments in a joint venture		26,189	26,189
Long-term receivables		4,094,309	4,280,192
		<b>13,622,167</b>	<b>13,569,617</b>
<b>Current assets</b>			
Inventories		555,964	513,660
Receivables, prepayments and other current assets		18,922,111	17,348,347
Financial assets at fair value through other comprehensive income		818,580	879,912
Cash and cash equivalents		11,707,085	9,545,452
		<b>32,003,740</b>	<b>28,287,371</b>
<b>Total assets</b>		<b>45,625,907</b>	<b>41,856,988</b>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Balance Sheet of the Company (Continued)

		As at 31 December	
	Note	2022 RMB'000	2021 RMB'000
<b>EQUITY</b>			
Share capital		2,609,744	2,609,744
Share premium		9,680,391	9,680,391
Other reserves	(Note(b))	3,588,069	3,180,340
Retained earnings	(Note(b))	7,828,790	6,825,715
<b>Total equity</b>		<b>23,706,994</b>	<b>22,296,190</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		2,511,500	2,337,718
Lease liabilities		35,387	65,121
Deferred income tax liabilities		119,476	122,881
Deferred income on government grants		28,880	13,259
		<b>2,695,243</b>	<b>2,538,979</b>
<b>Current liabilities</b>			
Trade and other payables		13,861,308	13,130,518
Contract liabilities		114,784	52,477
Current income tax liabilities		12,849	–
Borrowings		5,201,720	3,806,674
Current portion of Lease liabilities		33,009	32,150
		<b>19,223,670</b>	<b>17,021,819</b>
<b>Total liabilities</b>		<b>21,918,913</b>	<b>19,560,798</b>
<b>Total equity and liabilities</b>		<b>45,625,907</b>	<b>41,856,988</b>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Retained earnings <i>RMB'000</i>	Other reserves <i>RMB'000</i>
<b>Balance at 1 January 2021</b>	6,544,007	2,931,419
Profit for the year	2,487,937	–
Appropriation to statutory reserve	(248,921)	248,921
Dividends relating to 2020	(1,957,308)	–
<b>At 31 December 2021</b>	<b>6,825,715</b>	<b>3,180,340</b>
<b>Balance at 1 January 2022</b>	<b>6,825,715</b>	<b>3,180,340</b>
Profit for the year	4,014,364	–
Changes in the fair value of financial assets at fair value through other comprehensive income	–	6,184
Appropriation to statutory reserve	(401,545)	401,545
Dividends relating to 2021	(2,609,744)	–
<b>At 31 December 2022</b>	<b>7,828,790</b>	<b>3,588,069</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

#### Directors and supervisors' emoluments

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2022 are set out as follows:

	Director's fee RMB'000	Salaries, wages RMB'000	Discretionary Bonuses(a) RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
<b>Executive directors</b>						
Mr. Cho Tak Wong	-	6,186	1,000	-	-	7,186
Mr. Tso Fai	-	1,440	8	57	-	1,505
Mr. Ye Shu	-	1,050	1,300	124	-	2,474
Mr. Chen Xiangming	-	843	1,100	80	-	2,023
<b>Non-executive directors</b>						
Mr. Wu Shinong	90	-	-	-	-	90
Ms. Zhu Dezhen	90	-	-	-	-	90
<b>Independent non-executive directors</b>						
Ms. Cheung Kit Man Alison	257	-	-	-	-	257
Mr. Liu Jing	150	-	-	-	-	150
Mr. Qu Wenzhou	150	-	-	-	-	150
<b>Supervisors</b>						
Mr. Bai Zhaohua	-	832	1,100	-	-	1,932
Mr. Chen Mingsen	150	-	-	-	-	150
Mr. Ma Weihua	150	-	-	-	-	150
	<u>1,037</u>	<u>10,351</u>	<u>4,508</u>	<u>261</u>	<u>-</u>	<u>16,157</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

### 40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### Directors and supervisors' emoluments (Continued)

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2021 are set out as follows:

	Director's fee RMB'000	Salaries, wages RMB'000	Discretionary bonuses(a) RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
<b>Executive directors</b>						
Mr. Cho Tak Wong	-	5,923	1,000	-	-	6,923
Mr. Tso Fai	-	1,830	15	53	-	1,898
Mr. Ye Shu	-	1,021	1,150	103	-	2,274
Mr. Chen Xiangming	-	843	1,000	74	-	1,917
<b>Non-executive directors</b>						
Mr. Wu Shinong	90	-	-	-	-	90
Ms. Zhu Dezhen	90	-	-	-	-	90
<b>Independent non-executive directors</b>						
Ms. Cheung Kit Man Alison	249	-	-	-	-	249
Mr. Liu Jing	150	-	-	-	-	150
Mr. Qu Wenzhou	150	-	-	-	-	150
<b>Supervisors</b>						
Mr. Bai Zhaohua	-	832	1,000	-	-	1,832
Mr. Chen Mingsen	150	-	-	-	-	150
Mr. Ma Weihua	150	-	-	-	-	150
	<u>1,029</u>	<u>10,449</u>	<u>4,165</u>	<u>230</u>	<u>-</u>	<u>15,873</u>

(a) Discretionary bonuses are determined based on the duties and responsibilities of directors and supervisors, and the operating performance of the Group.

(b) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the year.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time during the year.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Section XII Business Performance Highlights for the Previous Five Years

### CONSOLIDATED INCOME STATEMENT:

Unit: '000 Currency: RMB

Items	For the year ended December 31				
	2022	2021	2020	2019	2018
<b>Revenue</b>	<b>28,098,754</b>	23,603,063	19,906,593	21,103,878	20,224,986
Cost of sales	<u>18,901,092</u>	<u>15,352,658</u>	<u>12,870,070</u>	<u>14,009,882</u>	<u>11,828,463</u>
Gross profit	<b>9,197,662</b>	8,250,405	7,036,523	7,093,996	8,396,523
Distribution costs and selling expenses	<b>1,350,721</b>	1,150,992	1,051,202	1,064,953	1,467,671
Administrative expenses	<b>2,152,007</b>	1,953,523	1,908,980	2,000,266	2,071,318
Research and development expenses	<b>1,248,593</b>	997,203	815,579	813,130	887,722
Other income	<b>215,071</b>	242,338	352,821	181,754	146,750
Other gains/(loss) – net	<b>925,649</b>	-444,134	-445,914	7,875	1,009,830
Net impairment losses on financial assets	<u>4,093</u>	<u>5,436</u>	<u>5,987</u>	<u>20,512</u>	<u>28,132</u>
<b>Operating profit</b>	<b>5,582,968</b>	3,941,455	3,161,682	3,384,764	5,098,260
Finance income	<b>262,734</b>	168,838	290,290	284,421	236,034
Finance costs	<u>288,122</u>	<u>318,941</u>	<u>354,752</u>	<u>432,680</u>	<u>376,230</u>
Finance costs – net	<b>25,388</b>	150,103	64,462	148,259	140,196
Share of profit (net of tax) of joint ventures and associates accounted for using the equity method	<u>20,963</u>	<u>26,975</u>	<u>11,844</u>	<u>-5,932</u>	<u>3,744</u>
<b>Profit before tax</b>	<b>5,578,543</b>	3,818,327	3,109,064	3,230,573	4,961,808
Income tax expense	<u>826,310</u>	<u>675,861</u>	<u>511,144</u>	<u>332,956</u>	<u>855,188</u>
<b>Profit for the year</b>	<b><u>4,752,233</u></b>	<b><u>3,142,466</u></b>	<b><u>2,597,920</u></b>	<b><u>2,897,617</u></b>	<b><u>4,106,620</u></b>
<b>Profit is attributable to:</b>					
Owners of the Company	<b>4,755,033</b>	3,145,652	2,600,245	2,897,868	4,119,935
Non-controlling interests	<u>-2,800</u>	<u>-3,186</u>	<u>-2,325</u>	<u>-251</u>	<u>-13,315</u>
<b>Profit for the year</b>	<b><u>4,752,233</u></b>	<b><u>3,142,466</u></b>	<b><u>2,597,920</u></b>	<b><u>2,897,617</u></b>	<b><u>4,106,620</u></b>
Basic earnings per share	<b>1.82</b>	1.23	1.04	1.16	1.64
Diluted earnings per share	<b>1.82</b>	1.23	1.04	1.16	1.64

## Section XII Business Performance Highlights for the Previous Five Years

### CONSOLIDATED BALANCE SHEET:

Unit: '000 Currency: RMB

Items	As at December 31				
	2022	2021	2020	2019	2018
Total assets	<b>50,778,126</b>	44,796,085	38,435,332	38,838,517	34,503,241
Total liabilities	<b>21,779,200</b>	18,490,789	16,832,718	17,457,199	14,300,567
Total equity	<b>28,998,926</b>	26,305,296	21,602,614	21,381,318	20,202,674