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

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

2023 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the Board) of Fuyao Glass Industry Group Co., Ltd. (the Company) is pleased to announce the audited annual report of the Company and its subsidiaries for the year ended December 31, 2023. This announcement, containing the full text of the 2023 annual report of the Company, complies with the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and is available for free on the Company's website. The annual report will be disclosed to the holders of the Company's shares and available for free inspection at the office of The Stock Exchange of Hong Kong Limited at <http://www.hkex.com.hk> and the Company's website <http://www.fuyao.com.cn> and the Annual Report 2024.

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

For and on behalf of the PRC
March 16, 2024

All of the data in this announcement, the Board of the Company comprises M. Cho Tak Wong, M. T. Fai, M. Ye Shun and M. Chen Xiaoguang, as executive directors; M. Wu Sheng and M. Zhendong, as non-executive directors; M. Li Jing, M. Xie Zhen and M. Dading Ha Daniel, as independent non-executive directors.

Important Notice

- I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and 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 2023 as shown on the consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB5,629,256,054. As audited by PricewaterhouseCoopers, the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2023 as shown on the consolidated financial statements prepared in accordance with the IFRS Accounting Standards amounted to RMB5,628,684,596.

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit for the year of 2023 as shown on the Company's financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB3,497,072,186; adding the undistributed profits of RMB7,847,163,384 at the beginning of the year of 2023, deducting the distributed profits of RMB3,262,179,415 for the year of 2022, and after appropriating 10% of the net profit of the Company for the year of 2023 to the statutory surplus reserve amounting to RMB349,707,218, the profits distributable to the shareholders of the Company as at December 31, 2023 amounted to RMB7,732,348,937.

The profit distribution plan for the year of 2023 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 2023, 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 2023, with a cash dividend of RMB1.30 (tax inclusive) per share, and the remaining undistributed profits of the Company will be carried forward to the following year. As of 31 December 2023, 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 RMB3,392,666,591.60 (tax inclusive). The aforesaid amount of cash dividend proposed to be distributed accounted for 60.27% 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 2023. 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
The forward-looking statements contained in this annual report such as future plans and development strategies do not constitute substantive commitment of the Company to investors. Investors should be aware of the investment risks.
- VII. Any appropriation of fund by the controlling shareholder and its connected parties for non-operating purpose
No
- VIII. Any provision of external guarantee in violation of the stipulated decision making procedure
No
- IX. Whether more than half of the directors are unable to provide assurance as to the truthfulness, accuracy and completeness of the annual report disclosed by the Company
No
- X. Material risk alert
The Company has described in details the potential risks it may face in this annual report. For further information, please refer to "(IV) Potential Risks" under "II. Discussion and Analysis on the Future Development of the Company" of "Section IV Report of the Board of Directors".

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Section I Chairman's Statement

Dear Shareholders:

Greetings to all of you! It is once again the time to present our annual report. I am pleased to share with you this report, which might not be splendid with outstanding highlights, but is nonetheless a source of considerable pride for us.

During the Reporting Period, the Company, on a consolidated basis, realised revenue of RMB33,160,997,000, representing an increase of 18.02% as compared with the corresponding period last year; realised profit before tax of RMB6,715,450,000, representing an increase of 20.38% as compared with the corresponding period last year; realised annual profit attributable to owners of the Company of RMB5,628,684,000, representing an increase of 18.37% as compared with the corresponding period last year; and realised earnings per share of RMB2.16, representing an increase of 18.68% as compared with the corresponding period last year.

Looking ahead to 2024, despite the intense economic situation both domestically and internationally, I am still confident in the Company. This confidence mainly stems from several factors:

- I. The unwavering efforts of our employees for decades have laid a solid foundation for the Company.
- II. New scientific and technological advancements are propelling the Company's high-quality development.
- III. Looking ahead to 2024, while the global economic adjustment may pose threats to many enterprises, the Company, with adequate preparation, prudent and solid foundations, has sufficient room for development.
- IV. To meet the market development demands, the Board of Directors of the Company has decided to invest a total of RMB9 billion in Fuqing, Fujian, and Hefei, Anhui, laying the groundwork for future growth of the Company.

Dear Shareholders, a new season brings forth new hopes. I am willing to actively cooperate with the national economic development strategy and work together with our Shareholders to create and share a brighter future.

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, 2023
Latest Practicable Date	March 15, 2024, 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	http://www.fuyaogroup.com
E-mail	600660@fuyaogroup.com
Principal place of business in Hong Kong	Room 1907, Shun Tak Centre, West Tower, 200 Connaught Road, Central, 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: http://www.sse.com.cn Hong Kong Stock Exchange: http://www.hkexnews.hk
Place of inspection of the annual report of the Company	Secretarial Office of the Board of Directors of the Company, District II of Fuyao Industrial Zone, Fuqing City

V. INFORMATION ON THE COMPANY'S SHARES

Class of shares	Information on the Company's Shares		
	Stock exchange on which shares are listed	Stock abbreviation	Stock code
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	2023	2022	Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2021
	As at the end of 2023	As at the end of 2022	Increase/ decrease as at the end of the Reporting Period as compared with the end of the corresponding period last year (%)	As at the end of 2021
Revenue	33,160,997	28,098,754	18.02	23,603,063
Annual profit attributable to owners of the Company	5,628,684	4,755,033	18.37	3,145,652
Annual profit attributable to owners of the Company, net of non-recurring profits or losses	5,527,468	4,665,706	18.47	2,815,936
Net cash flow generated from operating activities	7,479,742	5,590,337	33.80	5,490,396
Equity attributable to owners of the Company	31,436,239	29,013,638	8.35	26,317,208
Total assets	56,640,463	50,778,126	11.55	44,796,085

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

Principal financial indicators	2023	2022	Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2021
Basic earnings per share (RMB/share)	2.16	1.82	18.68	1.23
Diluted earnings per share, (RMB/share)	2.16	1.82	18.68	1.23
Return on equity (%)	17.91	16.39	1.52	11.95

For the details of principal accounting data and financial indicators of the Company for the previous three years as at the end of the Reporting Period, please refer to "Section XII Business Performance Highlights for the Previous Five Years".

VIII. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

(I) Differences between annual profit and equity attributable to owners of the Company in the financial statements prepared under the IFRS Accounting Standards and those under the China Accounting Standards for Business Enterprises

Unit: '000 Currency: RMB

	Annual profit attributable to owners of the Company		Equity attributable to owners of the Company	
	For the Reporting Period	For the corresponding period of previous year	As at the end of the Reporting Period	As at the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	5,629,256	4,755,596	31,426,182	29,003,010
Adjustments to items and amounts in accordance with the IFRS Accounting Standards: Reversal of impairment for buildings and land use rights and the differences in corresponding depreciation and amortization	-572	-563	10,057	10,628
Prepared in accordance with the IFRS Accounting Standards	5,628,684	4,755,033	31,436,239	29,013,638

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 IFRS Accounting 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 IFRS Accounting 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 land 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 IFRS Accounting 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 IFRS Accounting 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 2023 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	7,052,428	7,978,831	8,794,602	9,335,136
Annual profit attributable to owners of the Company	914,371	1,921,580	1,289,547	1,503,186
Annual profit attributable to owners of the Company, net of non-recurring profits or losses	877,957	1,914,958	1,269,148	1,465,405
Net cash flow generated from operating activities	1,323,908	1,689,923	2,322,232	2,143,679

Notes:

1. The above financial data by quarter was unaudited.
2. 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

	Amount for the year of 2023	Amount for the year of 2022	Amount for the year of 2021
Non-recurring profit or loss items			
Profit or loss from disposal of non-current assets, including the portion offset from the provision for impairment of assets	-100,067,948	-127,946,902	-103,003,542
Government subsidies recorded under current profit or loss, other than those closely related to the normal business operation of the Company, in compliance with national policy requirements, enjoyed in accordance with defined standards and having a sustained impact on the Company's profit or loss	195,795,178	215,071,387	242,337,506
Profit or loss from changes in fair value of financial assets and financial liabilities held by non-financial enterprises, and profit or loss from disposal of financial assets and financial liabilities, other than effective hedging activities related to normal business operations of the Company	-1,655,540	-18,397,177	41,253,695
Capital occupancy fee from non-financial enterprises recognized through current profit or loss	-	1,997,973	25,149,971
Reversal of impairment provision for receivables tested for impairment on individual basis	145,770	1,545,494	3,217,440
Other non-operating income and expenses apart from the aforesaid items	26,451,965	39,596,038	160,300,053
Less: Effects of income tax	18,310,357	21,045,640	38,974,925
Effects of minority interests (after tax)	570,844	931,183	48,866
Total	101,788,224	89,889,990	330,231,332

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	7,396,158	5,740,618	-1,655,540	-1,655,540
Equity of unlisted companies measured at fair value through other comprehensive income	77,566,743	91,054,345	13,487,602	-
Notes receivable measured at fair value through other comprehensive income	1,138,128,166	1,314,917,637	176,789,471	-9,802,782
Total	<u>1,223,091,067</u>	<u>1,411,712,600</u>	<u>188,621,533</u>	<u>-11,458,322</u>

Note: Trading equity instruments represent the shares obtained by the Company 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 enterprise with a strong sense of social responsibility, pursuing mutual benefit, safety and environmental protection, and scientific and technological innovation.

During the Reporting Period, the Company, on a consolidated basis, realised revenue of RMB33,160,997,000, representing an increase of 18.02% as compared with the corresponding period last year; realised profit before tax of RMB6,715,450,000, representing an increase of 20.38% as compared with the corresponding period last year; realised annual profit attributable to owners of the Company of RMB5,628,684,000, representing an increase of 18.37% as compared with the corresponding period last year; and realised earnings per share of RMB2.16, representing an increase of 18.68% as compared with the corresponding period last year.

For other details of the business review of the Company, please refer to this section and the subsection headed "I. Discussion and Analysis on Operation Results" in "Section V Management Discussion and Analysis".



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		
	2023	2022	2021
Revenue growth ⁽¹⁾	18.02%	19.05%	18.57%
Growth in annual profit ⁽²⁾	18.44%	51.23%	20.96%
Gross profit margin ⁽³⁾	34.14%	32.73%	34.95%
Interest and net profit before tax margin ⁽⁴⁾	21.12%	20.88%	17.53%
Annual profit margin ⁽⁵⁾	16.97%	16.91%	13.31%
Return on equity ⁽⁶⁾	17.91%	16.39%	11.95%
Return on total assets ⁽⁷⁾	9.94%	9.36%	7.02%
Gearing ratio ⁽⁸⁾	44.52%	42.89%	41.28%
Turnover period of trade receivables ⁽⁹⁾	85	79	81
Inventory turnover period ⁽¹⁰⁾	90	95	92

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 finance costs 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 ÷ equity attributable to owners of the Company) × 100%; (7) Return on total assets = (annual profit for the period ÷ total assets as at the end of the period) × 100%; (8) Gearing ratio = (total liabilities ÷ total assets) × 100%; (9) Turnover period of trade receivables = (trade receivables at the beginning of the period + trade receivables as at the end of the period) ÷ 2 ÷ revenue × 365 days, trade receivables include trade receivables and notes receivable (including notes receivable measured at fair value through other comprehensive income); (10) Inventory turnover period = (balance of inventory as at the beginning of the period + balance of inventory as at the end of the period) ÷ 2 ÷ sales costs × 365 days.

The Company uses representative financial indicators relating to its profitability, operation capacity and solvency to analyse its growth potential. The Company's revenue in 2023 increased by 18.02% year on year, and the annual profit increased by 18.44% year on year, reflecting a continually strengthening profitability. The turnover periods of trade receivables and inventories of the Company in 2023 were 85 days and 90 days, respectively, maintaining normal turnover efficiency level of the Company. The gearing ratio of the Company as at December 31, 2023 was 44.52%, showing its solvency remaining strong. The Company constantly strengthens its operation management, enhances its comprehensive competitiveness, and continuously creates value for its shareholders.

For details of other information, please refer to "Section V Management Discussion and Analysis".

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 2023 amounted to 30.161 million units and 30.094 million units, both exceeding 30 million units for the first time, hitting record highs and representing a year-on-year increase of 11.6% and 12%, respectively. As of 2023, China has ranked first in the world for 15 consecutive years in terms of automobile production volume and sales volume.

For the automobile industry, in the short term, the automobile market continues to recover, but the domestic and international situation remains complex and severe, with increasing challenges and uncertainties. As China has increased its macro-control efforts, expanded domestic demand, optimised its structure and actively expanded its overseas markets, it has also promoted automobile consumption through the introduction and implementation of various policies and measures, such as optimising purchase restriction policies, conducting a new round of automobile subsidies for rural areas, trade-ins, and renewing and optimising the reduction of the purchase tax on new energy vehicles to the end of December 2027. As a result, automobile production and sales volume in China, as well as automobile export volume, hit record highs in 2023.

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 2023, 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 24 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 and the complete supply chain system in China strongly supports the development of the automotive industry that provide accessories for the automobile industry in the medium and long term.

The automobile is developing towards the trend of "electrification, networking, intelligence and sharing" (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 users in ARG market.
2. 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 continuously improve the quality management system covering all-employee, all-process, and all-value-chain with the “one-vote veto system for quality”.
3. 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.
4. To deepen comprehensively digital lean management from different aspects, improve quality and efficiency, save energy and reduce costs, to enhance the anti-risk capacity of the enterprise.
5. 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”.
6. To continue to play the leading role of sales, and improve sales management mechanism, continuously expand new market and new clients, maintain stable customer relations, establish a customer-centric service culture, improve customer satisfaction, enhance customer adhesion, and promote the development of Fuyao.
7. To further comprehensively strengthen management system combining intensive capital with budget, optimize capital structure, ensure safe and effective capital management, so as to ensure the maximization of capital efficiency.
8. 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.
9. To explore the application scenarios of artificial intelligence in glass development, manufacturing and quality fields, and promote digital transformation and intelligent upgrading.
10. 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.

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 2024, and economic growth will continue to be confronted with multiple risks and challenges. In this regard, Fuyao will be prudent in every step of its operation:

1. to continue to improve the quality of production, seriously sort out the pain points of customers, ensure stable control of the production process, carefully conduct validation, quality planning and change management of new technologies, firmly control the quality, and fully eliminate customer complaints.
2. to continue to strengthen technological innovation, increase investment in research and development, continue to promote product upgrades and iteration, and continue to create new products such as smart glass, high-performance glass and high-value glass that meet the market demand, so as to enhance Fuyao's core competitiveness.
3. to conduct pilots and continuous improvement through ongoing optimisation of the IPD integrated innovation model, so as to facilitate the transformation from a functional to a matrix organisational structure.
4. to establish global operation guarantee, establish agile management and flexible production mechanism to achieve faster and more agile response, ensure delivery and service in global cover, and improve customer satisfaction.
5. to actively explore the application of artificial intelligence technology in the field of glass R&D, manufacturing, quality, and promote digital transformation and intelligent upgrading; to improve the efficiency of R&D and production, reduce costs, and enhance the quality of production and service level through the application of artificial intelligence technologies.
6. to create an efficient, green, flexible and synergistic supply chain system, promote continuous quality improvement and efficiency enhancement of the supply chain, and improve the flexible and rapid response capability of the entire supply chain.
7. to continue to play a leading role in sales, establishing an all-round sales management mechanism, making efforts in multiple markets, both domestically and internationally, expanding new customers, stabilising old customers, optimising service levels, improving customer satisfaction and enhancing the competitiveness of the enterprise.
8. to continuously strengthen the construction of corporate culture, enhance organisational effectiveness, and improve corporate image and brand value.

In order to accomplish its business plan and goals for the year of 2024, the Company expects its funding needs throughout 2024 will be RMB41,016 million, of which operating expenditure, capital expenditure and payments of cash dividends will be RMB29,500 million, RMB8,123 million and RMB3,393 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 2024, 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 maintain sufficient risk awareness in this regard, and should gain an understanding of the differences between a business plan and a performance guarantee.

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.



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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.

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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 security risk

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) establish crisis awareness, strengthen the publicity and implementation for information security awareness of all staff, and always prevent cyber fraud and other security risks; (2) continuously optimize the construction of information security management system, standardize key operational procedures, and reduce the possibility of security risks; (3) continuously improve the Company's information security strategy, and establish control measures for cyber security, host security, terminal security, data security, etc.; (4) regularly carry out information security risk assessment including risk identification, risk assessment, risk monitoring and risk response, and establish risk management system and processes for the Company; (5) establish and improve security operation capabilities, build multi-layered and three-dimensional defense system, and proactively detect anomalies and take intelligent measures to enhance the ability to withstand and prevent cyber security risks.

8. Data security risk

With the advancement of information-based construction of the Company, information and data has gradually become an important basis for the Company's business development. If the Company's information or data is stolen or leaked, it will have an adverse impact on the Company's core competitiveness. To safeguard the data security, the Company has implemented a series of control measures from both management and technical aspects: (1) the Company complies with laws and regulations and compliance requirements related to data security; (2) in terms of management, the Company strengthens the publicity and implementation for confidentiality awareness of all staff, standardizes data classification and grading, and strictly controls the scope of data distribution; (3) in terms of technology, the Company controls the whole life cycle of data in storage, processing, circulation and destruction through encryption and other control measures to protect the confidentiality and integrity of data; (4) the Company will continue to invest in upgrading data protection and control measures to prevent data security risks.

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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 Statement" of "Section XI Financial Report" for details of the annual results of the Company for the year ended December 31, 2023. 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 2023 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 2023, 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 2023, with a cash dividend of RMB1.30 (tax inclusive) per share, and the remaining undistributed profits of the Company will be carried forward to the following year. As of December 31, 2023, 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 RMB3,392,666,591.60 (tax inclusive). The aforesaid amount of cash dividend proposed to be distributed accounted for 60.27% 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 2023. 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 2023 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 21, 2024. 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 or Plan to Convert Capital Reserve into Share Capital" of "Section VI Company Governance and Corporate Governance Report".

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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.

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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, 2023 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.

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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, 2023, 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, 2023	Expected timeline of use of the proceeds
Replenishment of working capital and optimization of the capital structure of the Group	2,587.67	2,141.45	446.22	From 2024 to 2025
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	431.27	0	
Total	4,312.78	3,866.56	446.22	

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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 RMB6,782,000.

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, 2023.

X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

XI. PERMITTED INDEMNITY PROVISION

As at December 31, 2023, the Company maintained directors’, supervisors’ and senior management’s 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.

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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 the appropriation 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 IFRS Accounting Standards. Under the IFRS Accounting Standards, the undistributed profit of the Company as at the end of 2023 amounted to RMB7,709 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 C1 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 2023 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. pursuant to the relevant requirements of the SSE. Meanwhile, the 2023 Environmental, Social and Governance Report will also be prepared and disclosed by the Company pursuant to Appendix C2 of the Hong Kong Listing Rules. The aforesaid reports and 2023 Annual Report for A Shares and 2023 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

(I) Employees

In line with the internationalization trend and according to the needs brought by technology upgrading and management upgrading, the Company recruits employees via various channels such as official website, official microblog and job-hunting websites at home and abroad, social media and on-campus recruitment programs at home and abroad. Our employees will serve Fuyao companies around the world upon completion of orientation training, operational training and job-specific training. The Group conducts quarterly performance coaching and annual performance review to provide its employees with feedback on their performance. Moreover, the Group also provides on-the-job training to its employees to enhance their skills and comprehensive quality. Please refer to “XXII. Employees of the Company and Its Major Subsidiaries at the end of the Reporting Period” of “Section VI Company Governance and Corporate Governance Report” for other information of employees.

(II) Customers

The Group sells automotive glass to OEM and ARG customers in various countries and regions, including the PRC, the United States, the United Kingdom, Hong Kong, Germany and Japan. The Group's OEM customers include the world's top 20 automobile manufacturers and top 10 passenger vehicle manufacturers in China by production volume.

In 2023, the top five customers of the Group, all of which are independent third-party automotive glass customers, accounted for 17.54% of the revenue of the Group, and the largest customer of the Group accounted for 5.36% of the revenue of the Group. The Group has maintained good relationships with its major customers, and has maintained its partnership with its largest customer for more than 20 years. Nevertheless, the Group did not depend on any of its major customers. None of the directors of the Company and their close associates or shareholders who hold more than 5% of the shares of the Company has any interest in the top five customers of the Group.

(III) Suppliers

The Group has adopted procedures for evaluating potential domestic and overseas suppliers based on product quality, price, ability to deliver products on time and technical capability. The Group has established procurement departments at the Russian, German and U.S. subsidiaries to purchase the raw materials used in the overseas production from local suppliers through the same supply management system that has been adopted by the Group. The Group conducts periodic onsite reviews of the suppliers' production base according to the IATF16949 quality system. The Group generally enters into procurement contracts with major suppliers for one year. The agreements between the Group and suppliers typically set forth the quantity, price, quality specifications, payment terms and warranty for each type of raw materials.

In 2023, the top five suppliers of the Group accounted for 16.23% of the purchases of the Group and the largest supplier of the Group accounted for 4.63% of the purchases of the Group. None of the directors of the Company and their close associates or shareholders who hold more than 5% of the shares of the Company has any interest in the top five suppliers of the Group except Jinken Glass Industry Shuangliao Co., Ltd., an associate of the Company.

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 companies' kilns for waste gas treatment; (2) use of clean energy by replacing heavy oil with natural gas as the production fuel for float glass companies; (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 by automotive glass companies 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 companies' 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 companies' 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.

During the Reporting Period, the Group was not subject to material administrative punishments by the environmental protection authorities due to laws and regulations in respect of environmental protection.



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 safety, health and environmental protection management 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 safety production committee and a safety production management organization, deploying full-time (part-time) safety management personnel to ensure the effective operation of the occupational health and safety system; (3) each subsidiary providing a variety of trainings to the employees on safety awareness, including safety training for new employees, safety management personnel training, operation safety training, equipment maintenance safety training, special operation training, etc; (4) each subsidiary formulating safety operation regulations, labor protection appliances configuration standards and MSDS (Material Safety Data Sheet) according to job requirements; (5) each subsidiary regularly conducting occupational hazard factor detection and publicity on site, and regularly organizing employee occupational health examinations; (6) each subsidiary setting up safety protection facilities according to the hazardous characteristics and corresponding standards of the equipment; (7) each subsidiary providing sufficient, reasonable and effective labor protection appliances for its employees; (8) the Group formulating the Management Regulations on Safety Inspection and Potential Hazard Rectification, regularly issuing notices and requirements for special inspections, and each subsidiary formulating safety inspection standards and plans to implement potential hazard rectification; (9) each subsidiary formulating emergency plans for safe production, formulating and implementing emergency drill plans to improve employees' capability to respond to and deal with emergencies, and continue to improve the emergency plans based on the drill results; (10) the Group formulating the Safety Accident Management Regulations, and each subsidiary implementing accident reporting, investigation and rectification to avoid recurrence of accidents; (11) each subsidiary continuously improving the implementation of occupational health and safety involved in the production process within the scope of the Company in accordance with the ISO45001: 2018 occupational health and safety management system and the safety, health and environmental protection management system, etc.

During the Reporting Period, the Group did not encounter any material unexpected disruption in production due to health and safety issues, and has not received any material claim in relation to health and safety.

XXV. LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

The Company may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of its business. As at the Latest Practicable Date, the Company was not a party to, and was not aware of any threat of, any legal, arbitral or administrative proceedings, which, in the opinion of the Company, is likely to have a material adverse effect on the business, financial conditions or results of operations of the Company. Please refer to "Section VI Company Governance and Corporate Governance Report" for the details of the on-going compliance with applicable laws and regulations by the Company and the directors and senior management of the Company.

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

Financial statements and annual results of the Company for the year ended December 31, 2023 have been reviewed by the audit committee of the Company.

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 pursuing ultimate quality, 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 2023, seizing market opportunities and following market trends, Fuyao focused on maintaining quality, expanding scale, promoting innovation, and increasing efficiency, solidly advancing its high-quality development, achieving remarkable results. According to the statistics of China Association of Automobile Manufacturers, China's automobile production volume and sales volume reached 30,161,000 units and 30,094,000 units, respectively in 2023, both exceeding 30 million units for the first time, hitting record highs and representing year-on-year growth of 11.6% and 12%, respectively. During the Reporting Period, the Company, on a consolidated basis, realised revenue of RMB33,160,997,000, representing an increase of 18.02% as compared with the corresponding period last year; realised profit before tax of RMB6,715,450,000, representing an increase of 20.38% as compared with the corresponding period last year; realised annual profit attributable to owners of the Company of RMB5,628,684,000, representing an increase of 18.37% as compared with the corresponding period last year; and realised earnings per share of RMB2.16, representing an increase of 18.68% as compared with the corresponding period last year.

1. The profit before tax for the Reporting Period increased by 20.38% as compared with the corresponding period last year. Eliminating the effects of foreign exchange gain or loss and the provisions for impairment on long-term assets made by the subsidiary FYSAM Auto Decorative GmbH, the total profit for the Reporting Period increased by 39.99% as compared with the corresponding period last year:
 - (1) The foreign exchange gain for the Reporting Period amounted to RMB368,696,000, and the foreign exchange gain amounted to RMB1,045,238,000 for the corresponding period last year, resulting in a decrease in profit before tax of RMB676,542,000 for the Reporting Period as compared with the corresponding period last year;
 - (2) The provisions for impairment on long-term assets made by the subsidiary FYSAM Auto Decorative GmbH amounted to RMB147,033,000 for the Reporting Period, while the provisions for the corresponding period last year was RMB105,503,000, resulting in a decrease of RMB41,530,000 in profit before tax for the Reporting Period as compared with the corresponding period last year.



Section V Management Discussion and Analysis

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. Focusing on customer needs and enhancing sales efficiency: the Company adhered to the customer-centred approach to create value for customers, improve customer satisfaction and enhance customer stickiness. During the Reporting Period, the Company intensified its market exploration efforts, and outperformed the automotive industry peers in terms of automotive glass revenue, thus enhancing its resistance to market risks.
2. Strengthening quality management: product quality is the life of an enterprise. The Company earnestly combed through the pain points of customers and adopted and made good use of the "one-vote veto system for quality", strictly managed and controlled all links including new product development, process control, service quality, supplier quality, etc., and continuously improved the quality management system covering all personnel, whole process and the whole value chain.
3. Strengthening technological innovation: technology is a key factor that can decide the survival of an enterprise. During the Reporting Period, the Company continued to increase its investment in research and development (R&D), and continued to promote product upgrade and iteration. The proportion of high value-added products such as intelligent panoramic canopy glass, dimmable glass, head-up display glass, super-insulated glass, lightweight ultra-thin glass, film-coated heatable glass, tempered laminated glass, and so on, continued to grow, rising by 9.54 percentage points compared with the corresponding period last year, reflecting their value.
4. Strengthening innovation management: the Company introduced the IPD integrated product R&D management system to build an end-to-end, cross-functional and cross-departmental collaborative integrated management system through business sorting and layering around the process-oriented organisation of product operation, forming the R&D system with Fuyao's unique characteristics, continuously improving the R&D planning and management capabilities, and enhancing the R&D efficiency and R&D quality.
5. Enhancing the global operation guarantee capability: during the Reporting Period, adapting to the development trend of the "New Four Modernizations (i.e. electrification, networking, intelligence and sharing)" in the automobile industry, the Company further expanded its production capacity, strengthened the management over its overseas entrepot storage and IT-based construction, ensured its globalised delivery and capability, and set up an agile management and flexible production mechanism and established a rapid mass-production capability in the context of accelerating iteration of vehicle models, so as to gain an edge amid fierce market competition by means of a quicker and more agile response.
6. Promoting the construction of "digital green factory": the Company continued to build a green factory, promoting "green supply chain, clean production, utilisation of waste materials as resources and low carbon energy" in an orderly manner, to build an efficient, green, flexible and synergistic supply chain system and promote the continuous improvement of the quality and efficiency of the supply chain.
7. Strengthening corporate culture construction: Corporate culture is the soul and spiritual pillar of an enterprise. During the Reporting Period, the Company continued to strengthen the construction of the Employee Happiness Project, to unite the employees' hearts and minds, stimulate team power and enhance the corporate image and brand value, creating a clean and positive corporate culture.

Section V Management Discussion and Analysis

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, 2023, the total assets of the Company amounted to RMB56,640,463,000, representing an increase of 11.55% as compared with the beginning of the year; the total liabilities amounted to RMB25,219,084,000, representing an increase of 15.79% as compared with the beginning of the year; the equity attributable to the owners of the Company amounted to RMB31,436,239,000, representing an increase of 8.35% as compared with the beginning of the year.

During the Reporting Period, the Company realised revenue of RMB33,160,997,000, representing a year-on-year increase of 18.02%; realised annual profit attributable to the owners of the Company of RMB5,628,684,000, representing a year-on-year increase of 18.37%; realised annual profit attributable to the owners of the Company, net of non-recurring profit or loss of RMB5,527,468,000, representing a year-on-year increase of 18.47%; and realised earnings per share of RMB2.16, representing a year-on-year increase of 18.68%.

(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	33,160,997	28,098,754	18.02
Cost of sales	21,840,391	18,901,092	15.55
Distribution costs and selling expenses	1,538,783	1,350,721	13.92
Administrative expenses	2,493,598	2,152,007	15.87
Finance costs – net	-325,682	25,388	N/A
Research and development expenses	1,403,030	1,248,593	12.37
Net cash generated from operating activities	7,479,742	5,590,337	33.80
Net cash used in investing activities	-4,304,093	-7,353,305	-41.47
Net cash used in financing activities	-2,280,345	-1,235,883	84.51
Other gains – net	247,968	925,649	-73.21
Net impairment losses on financial assets	17,110	4,093	318.03
Share of net profit of joint venture and associate accounted for using the equity method	10,798	20,963	-48.49
Income tax expenses	1,086,914	826,310	31.54

Section V Management Discussion and Analysis

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

The increase in cost of sales was mainly due to the increase in revenue.

The increase in distribution costs was mainly due to the increase in revenue and the corresponding increase in expenses such as packaging expenses. As a result, the proportion of distribution costs to income decreased by 0.17% year-on-year.

The increase in administrative expenses was mainly due to the increase in staff salaries. As a result, the proportion of administrative expenses to income decreased by 0.14% year-on-year.

The decrease in finance costs – net was mainly due to the increase in finance income during the Reporting Period.

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.

The increase in net cash generated from operating activities was mainly due to revenue growth and a faster inventory turnover, which reduced reserves.

The decrease in net cash used in investing activities was mainly due to a net outflow of RMB79 million for "held-to-maturity term deposits" in the Reporting Period, compared to a net outflow of RMB4.743 billion for the same period last year.

The increase in net cash used in financing activities was mainly due to the year-on-year increase of RMB652 million in dividends paid to shareholders of the Company during the Reporting Period.

The decrease in other gains – net was mainly due to the exchange gain of RMB369 million arising from exchange rate fluctuations during the Reporting Period, compared with a gain of RMB1,045 million in the same period of last year.

The increase of net impairment losses on financial assets was mainly due to the increase in bad-debt provision accrued during the Reporting Period.

The decrease in share of net profit of joint venture and associate accounted for using the equity method was mainly due to the decrease in the share of profit after tax after the sale of the equity of an associate during the Reporting Period.

The increase in income tax expenses was mainly due to the increase in income tax expenses relating to the increase in profit before tax during the Reporting Period.



Section V Management Discussion and Analysis

2. Analysis of revenue and costs

During the Reporting Period, the revenue of automotive glass of the Company increased by RMB4,296,081,000, representing a year-on-year increase of 16.79%, and cost of sales of automotive glass of the Company increased by RMB2,743,900,000, representing a year-on-year increase of 15.11%. Float glass produced and sold by the Company is mainly to be used by its automotive glass with internal supply as its main purpose. Business by product is set out as follows:

(1) Business by products and regions

Unit: '000 Currency: RMB

By products	Revenue	Business by products		Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross margin (%)
		Operating costs	Gross margin (%)			
Automotive glass	29,887,354	20,900,615	30.07	16.79	15.11	Increased by 1.02 percentage points
Float glass	5,708,192	4,141,016	27.45	25.82	22.54	Increased by 1.94 percentage points
Others	3,786,958	2,934,807				
Less: Intra-group elimination	-6,221,507	-6,136,047				
Total	33,160,997	21,840,391	34.14	18.02	15.55	Increased by 1.41 percentage points

By regions	Revenue	Principal business by regions		Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross margin (%)
		Operating costs	Gross margin (%)			
Domestic	18,274,368	11,594,351	36.55	20.25	24.47	Decreased by 2.16 percentage points
Other regions	14,886,629	10,246,040	31.17	15.38	6.88	Increased by 5.47 percentage points
Total	33,160,997	21,840,391	34.14	18.02	15.55	Increased by 1.41 percentage points

Section V Management Discussion and Analysis

(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	143.45	140.16	16.34	9.47	10.24	6.51
Float glass	'0,000 tons	174.93	182.76	26.63	0.16	13.04	-26.41

Note to production and sales volumes

Production volume refers to that of finished goods.

(3) Costs analysis

Unit: '000 Currency: RMB

		Costs analysis by products				
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	13,693,590	65.52	11,435,996	62.98	19.74%
	Costs of energy	1,105,390	5.29	1,030,360	5.67	7.28%
	Costs of labor	2,901,694	13.88	2,548,774	14.04	13.85%
	Others ⁽¹⁾	3,199,941	15.31	3,141,585	17.31	1.86%
Float glass	Raw and auxiliary materials	1,421,402	34.32	1,189,497	35.20	19.50%
	Costs of energy	1,398,541	33.77	1,130,227	33.44	23.74%
	Costs of labor	319,808	7.72	246,540	7.30	29.72%
	Others ⁽¹⁾	1,001,265	24.18	813,117	24.06	23.14%

Note: Others include manufacturing overhead, logistics and transportation expenses, 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 RMB5,817,128,700, accounting for 17.54% of the total sales for the year; of which related-party sales amounted to RMB0, accounting for 0% of the total sales for the year.

Sales to a single customer exceeding 50% of the total, new additions among top five customers, or significant reliance on certain customers during the Reporting Period

Top Five Customers of the Company

Unit: '0,000 Currency: RMB

No.	Name of customers	Sales amount	Percentage of total sales for the year (%)
1	No. 1	177,715	5.36
2	No. 2	129,564	3.91
3	No. 3	108,580	3.27
4	No. 4	83,821	2.53
5	No. 5	82,033	2.47

Note: the Company did not rely significantly on a few customers. The No. 5 customer, who was among the top ten customers last year, jumped to the top five customers during the Reporting Period due to the increase in sales.

B. Major suppliers of the Company

Purchases from the top five suppliers amounted to RMB2,243,470,900, accounting for 16.23% of the total purchases for the year; of which related-party purchases amounted to RMB0, accounting for 0% of the total purchases for the year.

Purchase from a single supplier exceeding 50% of the total, new additions among top five suppliers, or significant reliance on certain suppliers during the Reporting Period

Top Five Suppliers of the Company

Unit: '0,000 Currency: RMB

No.	Name of suppliers	Purchases	Percentage of total purchases for the year (%)
1	No. 1	64,027.05	4.63
2	No. 2	50,193.42	3.63
3	No. 3	40,310.21	2.92
4	No. 4	38,203.34	2.76
5	No. 5	31,613.07	2.29

Note: the Company did not rely significantly on a few suppliers. The No. 3 supplier, who was among the top ten suppliers last year, jumped to the top five suppliers during the Reporting Period due to the increase in purchases.

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	1,403,030
R&D costs capitalised for the Reporting Period	0
Total R&D costs	1,403,030
Total R&D costs as a percentage of revenue (%)	4.23
Capitalisation percentage of R&D costs (%)	0

(2) Analysis of R&D staff

Number of R&D staff of the Company	4,729
Number of R&D staff as a percentage of the total number of staff of the Company (%)	14.45

Educational structure of R&D staff

Educational level	Number of staff
Doctoral candidate	10
Postgraduate	239
Undergraduate	2,642
Junior college	1,133
High school and below	705

Age structure of R&D staff

Age level	Number of staff
Under 30 years old (excluding 30 years old)	1,716
30–40 years old (including 30 years old and excluding 40 years old)	1,960
40–50 years old (including 40 years old and excluding 50 years old)	797
50–60 years old (including 50 years old and excluding 60 years old)	243
60 years old and above	13

5. Details of charge on assets

As at December 31, 2023, Yung Tak Investment Limited, a subsidiary of the Group, pledged a land and buildings erected thereon with a carrying amount of RMB18,668,000 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	7,479,742	5,590,337
Net cash used in investing activities	-4,304,093	-7,353,305
Net cash used in financing activities	-2,280,345	-1,235,883
Net increase/(decrease) in cash and cash equivalents	895,304	-2,998,851

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB7,480 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB31,483 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB16,335 million, cash paid to and paid on behalf of employees amounted to RMB5,990 million, and payment for various taxes amounted to RMB2,330 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 RMB4,304 million. In particular, cash paid to acquire and build properties, plants and equipment and other long-term assets amounted to RMB4,475 million.
- (3) During the Reporting Period, net cash used in financing activities amounted to RMB2,280 million, of which, cash received from bank borrowings amounted to RMB17,509 million, cash used for repayment of debts amounted to RMB15,885 million; cash payment of dividend distribution and interest amounted to RMB3,597 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
Purchase of properties, plants and facilities	4,314,703	3,061,091	1,253,612	40.95	The increase in purchase of properties, plants and facilities was due to the increase in capital expenditure during the Reporting Period.
Purchase of land use rights	34,654	26,574	8,080	30.41	The change in the purchase of land use rights was mainly due to the new purchase of land use rights by subsidiaries during the Reporting Period.
Purchase of intangible assets	125,354	42,588	82,766	194.34	The increase in intangible asset purchases is mainly due to the addition of new assets such as computer software in the Reporting period.
Amount paid for acquisition of equity interest in an associate	20,000	-	20,000	100.00	The amount paid for acquisition of equity interest in an associate was the expenditure for 11.24% equity interest in National Innovation Center for Advanced Glass Materials (Anhui) Co., Ltd. (玻璃新材料创新中心(安徽)有限公司) during the Reporting Period.
Decrease/(increase) in restricted funds	2,864	-36,947	39,811	N/A	The change in restricted funds was mainly due to new deposits held for the guarantee to letter of credit in the same period last year.
Decrease in held-to-maturity term deposits with original maturity of more than 3 months	6,912,112	-	6,912,112	100.00	The decrease in held-to-maturity term deposits with original maturity of more than 3 months is due to the maturity of held-to-maturity term deposits in the Reporting Period.
Increase in held-to-maturity term deposits with original maturity of more than 3 months	7,191,280	4,742,813	2,448,467	51.62	The increase in held-to-maturity term deposits with original maturity of more than 3 months is due to changes in held-to-maturity term deposits.
Government grants received relating to properties, plants and equipment	144,840	76,917	67,923	88.31	The increase in government grants received relating to properties, plants and equipment was mainly due to the increase in asset-related grants received during the period.
Repayment of loans to related parties	-	145,100	-145,100	-100.00	The change in repayment of loans to related parties is due to the repayment of RMB145 million in loans by Jinken Glass Industry Shuangliao Co., Ltd. (金壘玻璃工業雙遼有限公司), an associate in the same period last year.
Proceeds from the disposal of equity interests in associates	30,000	-	30,000	100.00	Proceeds from the disposal of equity interests in associates refer to the funds received from the sale of equity interests in an associate, Jinken Glass Industry Shuangliao Co., Ltd., in the Reporting Period.
Payment of lease liabilities and long-term payables	307,316	152,886	154,430	101.01	The increase in payment of lease liabilities and long-term payables is mainly due to the new lease of buildings in the Reporting Period.

Section V Management Discussion and Analysis

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, RMB4,475 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 Changchun automotive glass project and the Fuqing automotive glass project amounted to approximately RMB1,241 million, RMB558 million and RMB491 million, respectively.

6.4 Interest-bearing debts

During the Reporting Period, the newly-added bank borrowings amounted to RMB17,509 million; repayment of bank borrowings amounted to RMB13,385 million and ultra-short term financing bills amounted to RMB1,300 million; repayment of medium-term notes amounted to RMB1,200 million. The Company did not utilise any financial instrument for hedging. As at December 31, 2023, interest-bearing debts are set out as follows:

Unit: '00 million Currency: RMB

Type	Amount
Short-term borrowings with fixed interest rates	53.62
Short-term borrowings with floating interest rates	0.50
Long-term borrowings with fixed interest rates due within one year	0.15
Long-term borrowings with floating interest rates due within one year	0.57
Long-term borrowings with fixed interest rates	45.42
Long-term borrowings with floating interest rates	39.72
	139.98
Total	139.98

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 RMB369 million as compared with foreign exchange gains of RMB1,045 million for the corresponding period last year.

Section V Management Discussion and Analysis

8. Capital efficiency

Inventory turnover period during the Reporting Period was 90 days as compared with 95 days of the corresponding period last year, representing a year-on-year decrease of 5 days, among which, inventory turnover period for automotive glass was 65 days as compared with 68 days of the corresponding period last year; inventory turnover period for float glass was 99 days as compared with 119 days of the corresponding period last year.

The turnover period of the trade receivables during the Reporting Period was 85 days, as compared with 79 days for the corresponding period last year.

The return on equity during the Reporting Period was 17.91%, as compared with 16.39% for the corresponding period last year.

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

Unit: '000 Currency: RMB

	December 31, 2023	December 31, 2022
Total borrowings	14,004,799	12,412,383
Lease liabilities	525,939	594,676
Long-term payables	64,473	69,424
Less: Cash and cash equivalents	-13,351,250	-12,237,862
Net debts	1,243,961	838,621
Total equity	31,421,379	28,998,926
Total capital	32,665,340	29,837,547
Gearing ratio (%)	3.81%	2.81%

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

Names of items	Closing balance	The percentage of closing balance to the total assets (%)	Opening balance	The percentage of opening balance to the total assets (%)	Change in the closing balance as compared with the opening balance (%)	Explanations
Investments in associates	131,658	0.23	205,476	0.40	-35.93	The decrease in investments in associates was mainly due to the disposal of equity interests in an associate, Jinken Glass Industry Shuangliao Co., Ltd. during the Reporting Period.
Long-term receivables	28,891	0.05	316,416	0.62	-90.87	The decrease in long-term receivables was mainly due to the fact that the payment due within one year was transferred to "receivables, prepayments and other current assets" at the end of the Reporting Period for presentation.
Receivables, prepayments and other current assets	8,553,924	15.10	6,109,367	12.03	40.01	The increase in receivables, prepayments and other current assets was mainly due to the increase in trade receivables as a result of the increase in revenue at the end of the Reporting Period.
Borrowings – non-current liabilities	8,513,100	15.03	3,007,000	5.92	183.11	The increase in borrowings – non-current liabilities was mainly due to the optimization of financing structure and the increase in capital expenditures.
Deferred income tax liabilities	411,645	0.73	199,324	0.39	106.52	The increase in deferred income tax liabilities is mainly due to an increase in the provision for income tax on undistributed profits of overseas subsidiaries.
Current income tax liabilities	489,621	0.86	331,920	0.65	47.51	The increase in current income tax liabilities was mainly due to the increase in provision for income tax payable corresponding to the increase in profit before tax during the Reporting Period.
Borrowings – current liabilities	5,491,699	9.70	9,405,383	18.52	-41.61	The decrease in borrowings – current liabilities was mainly due to the repayment of RMB1.2 billion medium-term notes and RMB1.3 billion ultra-short term financing bonds due and other amounts during the Reporting Period.

2. Overseas Assets

(1) Size of assets

Including: overseas assets (amounted to RMB21,411 million) accounted for 37.80% 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 "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 RMB7,431 million as at December 31, 2023, with the revenue amounted to RMB5,570 million and annual profit amounted to RMB494 million in 2023.

Section V Management Discussion and Analysis

(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	140.16	127.14	10.24	143.45	131.04	9.47

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	119.13	105.97	12.42	21.02	21.17	-0.71

Section V Management Discussion and Analysis

(IV) Analysis on investments

Overall analysis on external equity investment

External investments during the Reporting Period:

- (1) On February 16, 2023, the Company incorporated Fuyao Aluminum Parts (Changchun) Co., Ltd. (福耀鋁件(長春)有限公司) with a registered capital of RMB100.00 million. The Company holds 100% equity interest in Fuyao Aluminum Parts (Changchun) Co., Ltd., which is principally engaged in the R&D of automobile parts and components, non-ferrous metal rolling and processing, and the manufacturing of automobile parts and components, amongst others.
- (2) In March 2023, the Company invested RMB20.00 million in National Innovation Center for Advanced Glass Material (Anhui) Co., Ltd. (國家玻璃新材料創新中心(安徽)有限公司) with a shareholding of 11.24%, which is principally engaged in the technological development of new glass materials, technological consultation, technological services, technological transfer and technological promotion; engineering and technological research and experimental development.
- (3) Fuyao Automotive North America, Inc., a wholly-owned subsidiary of the Company, invested and established a wholly-owned subsidiary, Fuyao Michigan Holding Company, LLC., in June 2023, with a shareholding of 100%. Fuyao Michigan Holding Company, LLC. is an asset-holding company and holds the equity interest of FYSAM Auto Decorative de Mexico S. de R.L. de C.V. (FYSAM汽車飾件(墨西哥)有限公司) jointly with Fuyao Automotive North America, Inc.
- (4) Fuyao (Hong Kong) Limited, a wholly-owned subsidiary of the Company, disposed of 25% equity interest in Jinken Glass Industry Shuangliao Co., Ltd. and completed the procedures related to the registration of change of shareholders at the government market supervision and administration department in September 2023. Upon the equity interest transfer, the Company and its subsidiaries have ceased to hold equity interest in Jinken Glass Industry Shuangliao Co., Ltd.

External investment during the same period last year: the Company made 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.

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	7,396,158	-1,655,540	-2,789,362					5,740,618
Equity of unlisted companies measured at fair value through other comprehensive income	77,566,743		21,733,590				13,487,602	91,054,345
Notes receivable measured at fair value through other comprehensive income	1,138,128,166	-9,802,782			7,565,855,375	7,379,263,122		1,314,917,637
Total	1,223,091,067	-11,458,322	18,944,228		7,565,855,375	7,379,263,122	13,487,602	1,411,712,600

Note: Shares represent shares allocated from customer debt restructuring acquired by subsidiaries.

Section V Management Discussion and Analysis

Investment in securities

Unit: Yuan Currency: RMB

Type of securities	Stock code	Stock name	Initial investment	Capital source	Book value at the beginning of the period	Gain/(loss) arising from fair value change for the period	Cumulative fair value change accounted for in equity	Amount purchased during the period	Amount disposed during the period	Gain/(loss) on investments during the period	Book value at the end of the period	Accounting classification
Share	601777	Lifan Technology	3,304,999	Debt restructuring	2,486,631	-180,377	-998,745				2,306,254	Financial assets at fair value through profit or loss
Share	000980	Zotye Automobile	5,224,982	Debt restructuring	4,909,527	-1,475,163	-1,790,617				3,434,364	Financial assets at fair value through profit or loss
Total	/	/	8,529,981	/	7,396,158	-1,655,540	-2,789,362				5,740,618	/

Derivatives investment

At the eighth meeting of the tenth session of the Board of Directors of the Company held on March 17, 2022, it was considered and approved that within 12 months from the date of consideration and approval of the Resolution on Trading in Foreign Exchange Derivatives at the eighth meeting of the tenth session of the Board of Directors of the Company, the total amount of foreign exchange derivatives trading business in aggregate shall not exceed US\$200 million (inclusive), within which the Group may jointly apply the quota on a revolving basis. The proceeds from the investments may be applied for reinvestment and the transaction amount (including the relevant amount applied for reinvestment out of the aforesaid investment income) at any time within the period shall not exceed the total amount of derivative trading business. The Company did not engage in foreign exchange derivative trading business in 2023, and during the 12 months from the date of the consideration and pass of the Resolution regarding the Company's Conduction of Foreign Exchange Derivative Trading Business at the eighth meeting of the tenth session of the Board of Directors of the Company on March 17, 2022, the total amount of foreign exchange derivative trading business of the Company was US\$80 million.

Section V Management Discussion and Analysis

(V) Material disposal of assets and equities

1. Disposal of equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd.

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

2. Disposal of equity interest in Jinken Glass Industry Shuangliao Co., Ltd.

Fuyao (Hong Kong) Limited, a wholly-owned subsidiary of the Company, disposed of 25% equity interest in Jinken Glass Industry Shuangliao Co., Ltd. and completed the procedures related to the registration of change of shareholders at the government market supervision and administration department in September 2023. Upon the equity interest transfer, the Company and its subsidiaries have ceased to hold equity interest in Jinken Glass Industry Shuangliao Co., Ltd.

(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	458,317.61	231,023.91	308,966.43	121,720.61	111,252.62
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	USD68,048,800	670,463.20	133,806.46	313,681.13	59,872.09	51,944.07
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	USD75,000,000	595,225.80	139,172.74	368,127.17	67,217.32	58,480.17
Fuyao Glass (Suzhou) Co., Ltd.	Manufacturing enterprise	Production, design, technical research and development and sales of automobile glass and its spare parts	40,000	338,836.94	100,628.93	352,507.50	60,654.86	53,418.29
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	USD1,500	743,105.21	273,331.87	556,990.62	63,285.20	49,411.66

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 C1 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 2022 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@fuyaogroup.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, except for paragraph F.2.2 of the code provisions in Part II of the Corporate Governance Code (please refer to "III. GENERAL MEETING" in this section).

The general meeting, the Board of Directors and the Board of Supervisors all operated effectively in strict compliance with the Articles of Association and their respective rules of procedure. For the information required for disclosure in accordance with the Corporate Governance Report, please refer to "Section IV Report of the Board of Directors", this section and relevant parts in other sections.



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)
2022 Annual General Meeting	April 27, 2023	The website of the SSE (http://www.sse.com.cn), The website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	April 28, 2023	For details, please refer to the Announcement on Resolutions of the 2022 Annual General Meeting of Fuyao Glass as published on the website of the SSE (http://www.sse.com.cn) and the Poll Results of the 2022 Annual General Meeting dated April 28, 2023 as published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

Information on the general meeting

The 2022 Annual General Meeting was held on April 27, 2023 by way of physical meeting in combination with online voting. The general meeting was convened by the Board of Directors, and as Mr. Cho Tak Wong, the chairman of the Board of Directors, was on business trip and unable to attend the meeting, the general meeting was chaired by Mr. Tso Fai, the vice chairman of the Board of Directors. A total of 376 shareholders, either in person or by proxy, attended the onsite meeting or voted online. Work Report of the Board of Directors for the Year 2022, Work Report of the Board of Supervisors for the Year 2022 and Profit Distribution Plan for the Year 2022 were considered and approved at the meeting. For the announcement related to the resolutions, please refer to relevant announcement dated April 28, 2023 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.



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(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 ^(Note)	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	Total remuneration before tax received from the Company during the Reporting Period (RMB 0,000)	Whether they received remuneration from connected parties of the Company
Cho Tak Wong	Executive Director, Chairman of the Board of Directors	Male	77	January 16, 2024	January 15, 2027	314,828	314,828	0		742.80	No
Tso Fai	Executive Director, Vice Chairman of the Board of Directors	Male	53	January 16, 2024	January 15, 2027					150.76	No
Ye Shu	Executive Director, President	Male	51	January 16, 2024	January 15, 2027					296.02	No
Chen Xiangming	Executive Director, Chief Financial Officer Joint Company Secretary	Male	53	January 16, 2024	January 15, 2027 October 30, 2014					222.79	No
Wu Shinong	Non-executive Director	Male	67	January 16, 2024	January 15, 2027					9.00	No
Zhu Dezhen	Non-executive Director	Female	65	January 16, 2024	January 15, 2027					9.00	No
Liu Jing	Independent Non-executive Director	Male	63	January 16, 2024	January 15, 2027					15.00	No
Xue Zuyun	Independent Non-executive Director	Male	60	January 16, 2024	January 15, 2027					N/A	No
Dai Dzung Hao Daniel	Independent Non-executive Director	Male	44	January 16, 2024	January 15, 2027					N/A	No
Bai Zhaohua	Chairman of the Board of Supervisors	Male	72	January 16, 2024	January 15, 2027					179.16	No
Chen Mingsen	Supervisor	Male	76	January 16, 2024	January 15, 2027					15.00	No
Ma Weihua	Supervisor	Male	75	January 16, 2024	January 15, 2027					15.00	No
He Shimeng	Vice President	Male	65	January 16, 2024	January 15, 2027	33,633	33,633	0		234.30	No
Chen Juli	Vice President	Male	57	January 16, 2024	January 15, 2027					577.84	No
Huang Xianqian	Vice President	Male	54	January 16, 2024	January 15, 2027					167.79	No

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Name	Position ^(Note)	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	Total remuneration before tax received from the Company during the Reporting Period (RMB'0,000)	Whether they received remuneration from connected parties of the Company
Lin Yong	Vice President	Male	53	January 16, 2024	January 15, 2027					162.79	No
Wu Lide	Vice President	Male	48	January 16, 2024	January 15, 2027					242.79	No
Li Xiaoxi	Secretary to the Board of Directors	Female	39	January 16, 2024	January 15, 2027	365,600	365,600	0		86.02	No
Cheung Kit Man Alison (retired)	Independent Non-executive Director	Female	66	January 8, 2018	January 16, 2024					27.03	No
Qu Wenzhou (retired)	Independent Non-executive Director	Male	51	October 30, 2019	January 16, 2024					15.00	No
Total	/	/	/ /	/		714,061	714,061	0	/	3,168.09	/

Notes:

- The shareholdings set out in the table refer to the number of shares directly held by directors, supervisors and senior management. For information on shareholdings of Mr. Cho Tak Wong and Mr. Tso Fai, please refer to "(III) Interests and short positions of directors, supervisors and chief executives in shares, underlying shares and debentures" under "II. Particulars of Shareholders and De Facto Controller" of "Section IX Changes in Shares and Information of Shareholders".
- Ms. Li Xiaoxi holds H shares while the others hold A shares.
- As the terms of office of members of the tenth session of the Board of Directors, members of the Board of Supervisors and the senior management of the Company expired in January 2024, the 2024 first extraordinary general meeting and the first meeting of the eleventh session of the Board of Directors of the Company were held on January 16, 2024 to re-elect/re-appoint members of the new session (i.e., the eleventh session) of the Board of Directors, members of the Board of Supervisors and the senior management, among whom, Ms. Cheung Kit Man Alison and Mr. Qu Wenzhou, both being independent non-executive directors, shall retire upon the election of the new session of independent non-executive directors of the Board of Directors at the 2024 first extraordinary general meeting. For details, please refer to the announcement dated January 17, 2024 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

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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 currently 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 & Commerce, an executive director of the Sixth Council of China Society for Promotion of the Guangcai Program, an honorary president of the Fujian Province Charity Federation, an honorary director of the Economic Committee of Fujian Provincial Democratic Construction Committee and an honorary director of the Youth Work Committee of Fujian Provincial Democratic Construction Committee. Mr. Tso Fai currently also serves as a director of Fujian Yaohua Industrial Village Development Co., Ltd., Homekiu Overseas Holdings Limited, Choptline 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 an executive director 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>

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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 currently 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 vice president of the procurement department of the Company from March 2009 to June 2009, and the president of Fuyao Hainan Float Glass Co., Ltd. from May 2008 to November 2008. Mr. Ye Shu 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 for staff of equivalent academic attainments to apply for a master's degree in business administration from Fujian Province Degree Committee in June 1999. Mr. Chen Xiangming obtained the qualification as an accountant as approved by the Ministry of Personnel of the PRC in December 1996 and the qualification as a senior economist as approved by the Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012.</p>
Wu Shinong	<p>Mr. Wu Shinong has served as a non-executive director of the Company since December 2005. He joined the Company as an independent non-executive director from April 2000 to December 2005. Mr. Wu Shinong is currently the vice president of Heren Charitable Foundation. He is also an independent non-executive director of Industrial Securities Co., Ltd. (興業證券股份有限公司) (a company listed on the SSE, stock code: 601377), Fujian Longking Co., Ltd. (福建龍淨環保股份有限公司) (a company listed on the SSE, stock code: 600388) and Guangdong Baoliuhua 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 (the "SZE"), stock code: 000690). Mr. Wu Shinong served as an independent non-executive director of Chongqing Dima Industry Co., Ltd. (a company listed on the SSE, stock code: 600565) from 16 May 2019 to 14 December 2022, and served as the vice principal of Xiamen University from December 2001 to November 2012. He served in the School of Management of Xiamen University from September 1999 to April 2003 with his last role as a dean. Mr. Wu Shinong served as the dean of School of Business Administration of Xiamen University from May 1996 to September 1999, a Fulbright visiting professor at Stanford University from September 1994 to July 1995 and the director of the MBA Center of Xiamen University from May 1991 to April 1996. Mr. Wu Shinong obtained a master's degree in business administration from Dalhousie University in Canada in May 1986 and a doctorate in economics from Xiamen University in December 1992.</p>

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Name	Major working experience
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 non-executive 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 May 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>
Liu Jing	<p>Mr. Liu Jing has served as an independent non-executive director of the Company since October 2019. Mr. Liu Jing is currently the dean of the Faculty of Social Works of the Open University of China. Mr. Liu Jing served as the head of China Philanthropy Times from June 2001 to July 2022 and the vice president and general secretary of China Federation of Social Workers from March 2007 to December 2021, and also served as an independent non-executive director of CITIC Guoan Information Industry Co., Ltd. (a company listed on the SZSE, stock code: 000839) from June 2016 to March 2021. Mr. Liu Jing graduated from Beijing Open University majoring in Chinese in July 1985, from the Graduate School of Chinese Academy of Social Sciences majoring in management with master's degree in management in July 2000, and from the National School of Development of Peking University majoring in international business management with an executive master of business management degree in July 2002.</p>
Xue Zuyun	<p>Mr. Xue Zuyun is currently an independent non-executive director of Joeone Co., Ltd. (a company listed on the SSE, stock code: 601566) and Xiamen Xiangyu Co. Ltd. (a company listed on the SSE, stock code: 600057). Mr. Xue Zuyun has served as an independent non-executive director of Contemporary Amperex Technology Co., Limited (a company listed on the SZSE, stock code: 300750) from June 2017 to August 2023; an independent non-executive director of Aojiahua Intelligent Health Technology Group Co., Ltd. (a company listed on the SZSE, stock code: 002614) from March 2017 to September 2023; and a professor in the Department of Accounting of the School of Management of Xiamen University from May 2001 to July 2023. Mr. Xue Zuyun graduated from Dalian Maritime College majoring in marine engineering management with a bachelor's degree in engineering in July 1983; from Xiamen University majoring in accounting with a master's degree in accounting in July 1991; from Xiamen University majoring in accounting with a doctoral degree in management in July 1999.</p>
Dat Dzung Hao Daniel	<p>Mr. Dat Dzung Hao Daniel has served as the managing director of Asia Carbon Search Limited since April 2019, and was a director of Executive Access Limited from August 2007 to January 2019. Mr. Dat Dzung Hao Daniel graduated from the School of Science and Engineering of the University of Manchester majoring in international business management with a bachelor's degree in management in June 2002.</p>

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Name	Major working experience
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 is currently the dean and professor of the Institute of Industry and Corporate Development of the Fujian Provincial Committee Party School. He has been a part-time researcher of the Belt and Road Research Institute of Xiamen University since April 2023; a special expert of the Monetary Policy Committee of the People's Bank of China since February 2017, 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, the part-time professor and doctoral supervisor of the School of Economics of Xiamen University and an economic adviser of the People's Government of Fujian Province. Mr. Chen Mingsen obtained a master's degree in economics from Fujian Normal University in December 1981.</p>
Ma Weihua	<p>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 Exchange, stock code: 3396), Haidilao International Holding Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 6862) and China Gas Holdings Limited (a company listed on Hong Kong Stock Exchange, stock code: 0384). Mr. Ma Weihua served as the chairman and a non-executive director of Bison Finance Group Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 0888) from November 2017 to September 2023, the independent director of Guangdong Qunxing Toys Joint Stock Co., Ltd. (廣東群興玩具股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002575) from August 2020 to October 2022, an independent director of Hwabao Investment Co., Ltd. (華寶投資有限公司) from June 2016 to April 2021, the chairman of the board of directors of Wing Lung Bank Ltd. (now renamed as "CMB Wing Lung Bank Ltd.") from October 2008 to May 2015 and served as an executive director, president and chief executive officer of China Merchants Bank Co., Ltd. from January 1999 to May 2013. Mr. Ma Weihua obtained a bachelor's degree in economics from Jilin University majoring in national economic management in August 1982, and a doctorate in economics from Southwest University of Finance and Economics majoring in economics in June 1999.</p>

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Name	Major working experience
He Shimeng	Mr. He Shimeng has served as a vice president of the Company since August 1999. Mr. He Shimeng served as the president of the production department of the Company from March 1995 to November 1999, the vice president of the sales department of the Company from August 1994 to February 1995 and the manager of the production department of the Company from July 1988 to August 1994. Mr. He Shimeng joined the Company in July 1988. Mr. He Shimeng graduated from the Naval University of Engineering in the PRC in June 2001 with a college diploma, majoring in management engineering. Mr. He Shimeng is the brother-in-law of Mr. Cho Tak Wong, the de facto controller and the chairman of the Board of Directors of the Company, and the uncle of Mr. Tso Fai, the vice chairman of the Board of Directors of the Company.
Chen Juli	Mr. Chen Juli has served as a vice president of the Company since February 2002. Mr. Chen Juli has also served as the president of Fuyao (Hong Kong) Co., Ltd. since September 1997 and president of Fuyao Group (Hong Kong) Co., Ltd. since March 2010. Prior to his current position, Mr. Chen Juli served various positions in the Company or its subsidiaries, including vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 1995 to August 1997, the manager of the sales department of the Company from July 1994 to July 1995 and the manager of the export department of the Company from May 1992 to July 1994. Mr. Chen Juli joined the Company in July 1989. Mr. Chen Juli also served as a director of the Company from December 1994 to July 2001. Mr. Chen Juli graduated from Beijing University of Aeronautics and Astronautics in July 1989, majoring in management information system and earning a bachelor's degree in engineering.
Huang Xianqian	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.
Wu Lide	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) from March 2002 to April 2015. Since Mr. Wu Lide joined the Company in March 1997, he worked in different positions such as manufacturing, logistics and factory, and successively served as the manager of the logistics department and the director of a factory and other positions in the Company and its subsidiaries. Mr. Wu Lide obtained a Seminar Core Course Diploma in Business Administration (《工商管理核心課程研修班結業證書》) issued by the School of Management of Xiamen University in May 2012.

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Name	Major working experience
Lin Yong	<p>Mr. Lin Yong has served as a vice president of the Company since February 2017. Mr. Lin Yong held various positions in the Company, including the chief operating officer of the Company from May 2016 to February 2017, the general manager of Fuyao Group (Shanghai) Automobile Glass Co., Ltd. from March 2010 to April 2016, the vice president (person in-charge) of Fujian Wanda Automobile Glass Industry Co., Ltd. from September 2007 to March 2010, the vice president and factory manager of No. 5 Factory of Fujian Wanda Automobile Glass Industry Co., Ltd. from April 2007 to August 2007, and the vice president of Fuyao Group (Shanghai) Automobile Glass Co., Ltd. from June 2005 to March 2007. Mr. Lin Yong worked in different positions in the process department, workshop and other departments, and successively served as a workshop director, the chief of the process department, the director of the laminated glass factory and other positions in the Company and its subsidiaries from February 1993 to May 2005. Mr. Lin Yong joined the Company in February 1993. Mr. Lin Yong graduated with a bachelor's degree in silicate engineering from Fuzhou University in July 1991.</p>
Li Xiaoxi	<p>Ms. Li Xiaoxi has served as the secretary to the Board of Directors since March 2016. Ms. Li Xiaoxi served as the brand manager of the branding department, vice president of the VIP department and vice president of the marketing department at Beijing Capital Airlines Co., Ltd. (Deer Jet) from February 2012 to August 2015. Ms. Li Xiaoxi joined the Company in August 2015. Ms. Li Xiaoxi graduated with a bachelor degree in marketing from the University of Ottawa in Canada in May 2006 and a M.A. degree in journalism from Sichuan University in June 2010 and a master's degree in Business Administration for Senior Executives from Peking University's Guanghua School of Management in January 2022. Ms. Li Xiaoxi has a qualification certificate for board secretaries of listed companies issued by the SSE.</p>
Cheung Kit Man Alison (retired)	<p>Ms. Cheung Kit Man Alison has served as an independent non-executive director of the Company from January 2018 to January 2024. 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 The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic College) with a diploma of secretary science in July 1979 and from University of Wolverhampton in the UK with an honorary degree in laws in September 2000. Ms. Cheung Kit Man Alison was accredited as a private finance manager by the Private Finance Management Association and admitted as a Fellow and a Senior Fellow to Hong Kong Securities and Investment Institute upon approval thereof in November 2014 and October 2019, respectively.</p>

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Name Major working experience

Qu Wenzhou (retired)	<p>Mr. Qu Wenzhou has served as an independent non-executive director of the Company from October 2019 to January 2024. 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, and on the SSE, stock code: 600585), Suwen Electric Energy Technology Co., Ltd. (蘇文電能科技股份有限公司) (a company listed on the SZSE, stock code: 300982), Zhongji Innolight Co., Ltd. (中際旭創股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300308), 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 SZSE, stock code: 000690) from March 2015 to April 2021, the deputy head of the Institute for Financial & 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 postdoctoral researcher of the School of Economics and Management, Tsinghua University 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>
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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.	Executive Director	August 30, 2023	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
Wu Shinong	Shanghai Huiruida Finance Consulting Service Centre (上海慧瑞達財務諮詢服務中心)	Investor	November 26, 2018	Present
Wu Shinong	Xin Zhongyuan Toyota Automotive Energy System Co., Ltd. (新中源豐田汽車能源系統有限公司)	Director	December 14, 2013	Present
Wu Shinong	Jiangsu Zenergy Battery Technologies Co., Ltd. (江蘇正力新能電池技術有限公司)	Director	November 20, 2013	Present
Wu Shinong	Industrial Securities Co., Ltd.	Independent non-executive director	November 29, 2017	Present
Wu Shinong	Fujian Longking Co., Ltd.	Independent non-executive director	December 30, 2020	Present
Wu Shinong	Guangdong Baoliuhua New Energy Stock Co., Ltd.	Independent non-executive director	April 23, 2021	Present

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Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
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 (retired)	Xiamen Jianji Capital Management Co., Ltd. (廈門建極資本管理有限公司)	Executive director and president	May 18, 2016	Present
Qu Wenzhou (retired)	Tibet Yungao Renewable Energy Co., Ltd. (西藏運高新能源股份有限公司)	Director	August 8, 2018	Present
Qu Wenzhou (retired)	Anhui Conch Cement Company Limited	Independent non-executive director	May 31, 2022	Present
Qu Wenzhou (retired)	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Independent non-executive director	September 12, 2018	Present
Qu Wenzhou (retired)	Suwen Electric Energy Technology Co., Ltd. (蘇文電能科技股份有限公司)	Independent non-executive director	May 25, 2023	Present
Qu Wenzhou (retired)	Zhongji Innolight Co., Ltd. (中際旭創股份有限公司)	Independent non-executive director	August 8, 2023	Present
Liu Jing	Daai Yucai Investment Management Co., Ltd. (大愛育才投資管理有限公司)	Chairman	August 19, 2017	Present
Liu Jing	Ningbo Century Aiwan Investment Co., Ltd. (寧波世紀愛晚投資有限公司)	Chairman	September 8, 2017	Present
Liu Jing	Xianyang Minfu Real Estate Development Co., Ltd. (咸陽民福房地產開發有限公司)	Chairman	January 26, 2016	Present
Liu Jing	Zhongmin Cultural Media (Shanghai) Co., Ltd. (中民(上海)文化傳播有限公司)	Chairman	January 5, 2011	Present
Liu Jing	Jinma Advertising Co., Ltd. (金馬廣告有限公司)	Vice chairman	April 5, 2016	Present
Liu Jing	Shenzhen Nanshan District Dachonglida Fur Factory (深圳南山區大衝利達皮草來料加工廠)	Chairman	May 30, 1991	Present
Liu Jing	Mingfeng Handbag Factory of Shenzhen Nantou District Xili Union Enterprise Company (深圳市南頭區西麗聯合企業公司明豐手袋來料加工廠)	Chairman	April 20, 1988	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

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(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.
Whether a director recuses himself/herself when the Board discusses his/her remuneration	During the Reporting Period, the Board of Directors of the Company considered and approved the Resolution on Directors' Remuneration of the Eleventh Session of the Board of Directors of the Company, which drew up an overall remuneration plan according to job categories. No director recused himself/herself when the plan was considered, and the resolution was also submitted to the general meeting for consideration and approval.
Specific information on the recommendations made by the remuneration and assessment committee or the special meeting of independent directors on the remuneration of directors, supervisors and senior management	During the Reporting Period, the remuneration and assessment committee under the Board of Directors of the Company reviewed and approved the Summary Report of Duty Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2022. The remuneration and assessment committee under the Board of Directors was of the view that all the directors, supervisors and senior management of the Company performed well with diligence and dedication in 2022, the remuneration for 2022 paid by the Company to its directors, supervisors and senior management was fair and reasonable and in compliance with the relevant provisions of the Company's remuneration system and assessment criteria, without any occurrence of violation of the Company's remuneration system and the service contract signed with the Company. In 2022, the Company did not implement the equity incentive scheme.
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 RMB31,680,900 (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 RMB31,680,900 (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.

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(IV) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position held in the Company	Changes	Reason for the changes
Xue Zuyun	Independent non-executive Director	Election	Due to the expiration of the session of the Board of Directors, the election was considered and approved at the 2024 first extraordinary general meeting
Dat Dzung Hao Daniel	Independent non-executive Director	Election	Due to the expiration of the session of the Board of Directors, the election was considered and approved at the 2024 first extraordinary general meeting
Qu Wenzhou	Independent non-executive Director	Retirement	Due to the expiration of the session of the Board of Directors, the retirement took effect upon election of the new session of independent non-executive directors of the Board of Directors at the 2024 first extraordinary general meeting
Cheung Kit Man Alison	Independent non-executive Director	Retirement	Due to the expiration of the session of the Board of Directors, the retirement took effect upon election of the new session of independent non-executive directors of the Board of Directors at the 2024 first extraordinary general meeting

Note: As the terms of office of members of the tenth session of the Board of Directors, members of the Board of Supervisors and the senior management of the Company expired in January 2024, the 2024 first extraordinary general meeting and the first meeting of the eleventh session of the Board of Directors of the Company were held on January 16, 2024 to re-elect/re-appoint members of the new session (i.e., the eleventh session) of the Board of Directors, members of the Board of Supervisors and the senior management. For details of the list of members of the new session of the Board of Directors, members of the Board of Supervisors and the senior management, please refer to "(I) Changes in shareholding of current directors, supervisors and senior management and those resigned during the Reporting Period and their remuneration" under "V. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT" of this section. Among whom, Ms. Cheung Kit Man Alison and Mr. Qu Wenzhou retired from their respective role as an independent non-executive director upon the election of Mr. Dat Dzung Hao Daniel and Mr. Xue Zuyun as non-executive directors of the eleventh session of the Board of Directors at the 2024 first extraordinary general meeting. For details, please refer to the announcement dated January 17, 2024 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

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(V) CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

1. Mr. Wu Shinong, a non-executive director, resigned as an independent non-executive director of Chongqing Dima Industry Co., Ltd. (重慶市迪馬實業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600565).
2. Mr. Ma Weihua, a supervisor, has resigned as the chairman and a non-executive director of Bison Finance Group Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 0888).

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.

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; making decisions on the establishment of the Company's internal management departments; appointing or dismissing the Company's president and the secretary to the Board of Directors and determining their remuneration, rewards and punishments; appointing or dismissing the Company's vice president, chief financial officer and other senior executives and determining their remuneration, rewards and punishments according to the suggestions of the president; working out the Company's basic management system; formulating the proposals for any amendment to the Articles of Association; managing the information disclosure of the Company; proposing the employment or replacement of the accounting firm which audits the Company's accounts to the general meeting; hearing the work report of the president of the Company and examining the president's work; exercising other powers conferred by laws, administrative regulations, departmental rules or the Articles of Association. At the same time, the Board of Directors shall timely formulate and review all types of corporate governance policies; encourage and supervise the training and continuing professional development of directors and

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senior management; review and monitor the compliance of the Company with applicable laws, regulations and all kinds of rules; formulate, review and examine the employees and directors of the Company in their compliance with all kinds of rules and regulations and employee manuals; supervise the Company's compliance with the Corporate Governance Code; and ensure full disclosure of corporate governance in accordance with relevant regulatory requirements in the annual report.

Each of the directors also acknowledged their responsibilities for the preparation of financial statements of the Company for the year ended December 31, 2023.

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 eleventh 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 Mr. Liu Jing, Mr. Xue Zuyun and Mr. Dat Dzung Hao Daniel 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 eleventh 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 five 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

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of Directors to appoint or dismiss any vice president and chief financial officer; deciding to appoint or dismiss executives other than those appointed or dismissed by the Board of Directors and exercising other powers conferred by the Articles of Association or the Board of Directors.

In accordance with the requirements of the Board of Directors, the president shall timely provide the Board of Directors with important information including information of the Company relevant to the operating results, important transactions and contracts, financial position and the prospect of operations, regularly report to the Board of Directors on his work, and guarantee the reports are true, objective and complete.

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

Session of meeting	Date of meeting	Meeting resolution(s)
The twelfth meeting of the tenth session of the Board of Directors	March 16, 2023	For details, please refer to the Announcement on the Resolutions of the Twelfth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated March 17, 2023 on the websites of SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).
The thirteenth meeting of the tenth session of the Board of Directors	April 27, 2023	For details, please refer to the Announcement on the Resolutions of the Thirteenth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated April 28, 2023 on the websites of SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).
The fourteenth meeting of the tenth session of the Board of Directors	August 17, 2023	For details, please refer to the Announcement on the Resolutions of the Fourteenth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated August 18, 2023 on the websites of SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).
The fifteenth meeting of the tenth session of the Board of Directors	October 16, 2023	For details, please refer to the Announcement on the Resolutions of the Fifteenth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated October 17, 2023 on the websites of SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).
The sixteenth meeting of the tenth session of the Board of Directors	December 29, 2023	For details, please refer to the Announcement on the Resolutions of the Sixteenth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated December 30, 2023 on the websites of SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).

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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	5	4	1	80	1	0	No	0	0
Tso Fai	No	5	5	1	100	0	0	No	1	100
Chen Xiangming	No	5	5	1	100	0	0	No	1	100
Ye Shu	No	5	5	3	100	0	0	No	0	0
Wu Shinong	No	5	5	3	100	0	0	No	0	0
Zhu Dezhen	No	5	5	1	100	0	0	No	1	100
Cheung Kit Man Alison (retired)	Yes	5	5	1	100	0	0	No	1	100
Liu Jing	Yes	5	5	4	100	0	0	No	0	0
Qu Wenzhou (retired)	Yes	5	5	3	100	0	0	No	1	100

Number of meetings of the Board of Directors held during the year	5
Among them: Physical meetings held	1
Meetings held through communications	1
Meetings held through a combination of physical meetings and meetings through communications	3

(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.

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As at December 31, 2023, 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, 2023 are as follows:

Director	Duration of training (Hours)	
	A ⁽¹⁾	H ⁽¹⁾
Executive directors		
Cho Tak Wong	15	14
Tso Fai	15	14
Ye Shu	15	14
Chen Xiangming	15	30
Non-executive directors		
Wu Shinong	15	14
Zhu Dezhen	15	14
Independent non-executive directors		
Cheung Kit Man Alison (retired)	15	14
Liu Jing	15	14
Qu Wenzhou (retired)	15	14

Notes :

1. A: Trainings on the rules issued by the SSE and directors' responsibilities; H: Trainings on the Hong Kong Listing Rules and directors' responsibilities.
2. Mr. Xue Zuyun and Mr. Dat Dzung Hao Daniel, the new independent non-executive directors whose appointment became effective as from January 16, 2024, have studied in detail the Director's Responsibility Memorandum and other relevant materials provided by Latham & Watkins LLP, the Hong Kong legal advisor of the Company prior to assuming office, and have received directors' training on 5 January 2024 and exchanged views with the Hong Kong legal advisor in respect of relevant directors' responsibilities. Each of the two independent non-executive directors has confirmed that they have understood all the requirements of the Hong Kong Listing Rules applicable to them as directors of listed issuers and the possible consequences of making a false statement or providing false information to the Hong Kong Stock Exchange.

Section VI Company Governance and Corporate Governance Report

(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 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.

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 powers: 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.



Section VI Company Governance and Corporate Governance Report

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. Xue Zuyun, 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 2023 first meeting of the chairman and independent non-executive directors.

XII. SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

Four special committees established by the Board of Directors of the Company, namely the strategy and development committee, the audit committee, the nomination committee and the remuneration and assessment committee, worked stringently in accordance with laws, regulations, the Articles of Association and the relevant requirements of their respective terms of reference. The committees fulfilled their duties, concretely exercised the duties and powers granted by the Board of Directors, positively affected the optimization of the corporate governance structure and the enhancement of the Company's development. During the Reporting Period, the Board of Directors has not raised any objections to the resolutions of the Board of Directors and other resolutions not made by the Board of Directors.

1. The Company has established the strategy and development committee in accordance with the requirements of the Code of Corporate Governance for Listed Companies. The strategy and development committee is mainly responsible for conducting feasibility research on the Company's long-term development and strategy plans as well as major strategic investments, and shall report to and be accountable to the Board of Directors. The terms of reference of the strategy and development committee were published on the websites of the Company and the SSE.
2. The Company has established an audit committee in accordance with Rules 3.21 and 3.22 of the Hong Kong Listing Rules, as well as the requirements of the CSRC and the SSE. The audit committee is responsible for conducting internal audit and supervision on the financial income and expenses and the economic activities of the Company and shall report its work and be accountable to the Board of Directors. The terms of reference of the audit committee were published on the websites of the Company and the SSE.

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During the Reporting Period, the audit committee convened meetings to jointly consider the financial position, accounting policy, internal control system and relevant financial issues; expressed opinions on issues relevant to the appointment of external audit institutions, listened to the audit and inspection reports on the financial reports from the external audit institution, and conducted analysis and review of the financial reports of the Company in accordance with the requirements of various laws, regulations and rules, and other relevant information of the Company in order to ensure the completeness, fairness and accuracy of the financial statements, reports and other relevant information of the Company; guided the internal audit work; supervised the optimization of the Company's risk management and internal control system, evaluated the effectiveness of risk management and internal control, reviewed continuing connected transactions, implemented the management of conflict of interest, and audited the foreign exchange derivatives trading business of the Company, etc. The audit committee further established a comprehensive, sound and effective internal control system.

During the Reporting Period, in accordance with the relevant requirements of the Company Law, the Securities Law, the Accounting Law of the People's Republic of China, the Basic Norms for Enterprise Internal Controls and its supporting guidelines, the Internal Control Guidelines for Listed Companies on the SSE and other internal control regulatory rules, the audit committee sorted out, assessed and identified the risks faced by the Company, determined a list of important risks, and oversaw and improved the measures on risk management and control, so as to ensure that the rules would be followed during the activities of management and control at each important risk point of the Company, the resources would be allocated in place and the standardized operation would be achieved. The Company managed to prevent and control the risks appropriately. The audit committee considers that the actual operations of the risk management system and internal control of the Company are in compliance with the requirements of the relevant corporate governance regulations on listed companies issued by the CSRC.

During the Reporting Period, the audit committee held two meetings with the auditors engaged by the Company.

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.



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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	8	89%
	Female	1	11%
Age	Aged 40–50	1	11%
	Aged 51–60	4	45%
	Aged 61–70	3	33%
	Aged 71–80	1	11%
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	2	22%
	4–6 years	2	22%
	7–9 years	0	0
	10 years or more	5	56%
Accounting professionals		3	33%
Directorships in other listed companies (number of companies)	1 or 2	2	22%
	3 or more	1	11%

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.

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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 2022, the remuneration and assessment committee reviewed the remuneration of the Company's directors and senior management disclosed in the 2022 annual report, and considered that all the directors, supervisors and senior management performed well with diligence and dedication in 2022. The remuneration for 2022 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 2022, the Company did not implement any equity incentive scheme.

5. Members of the committees established by the Board of Directors during the Reporting Period and as at the Latest Practicable Date and meetings held by the committees established by the Board of Directors during the Reporting Period are as follows:

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

Type of the committees **Names of members**

Audit Committee	Chairman: Mr. Qu Wenzhou, an independent non-executive director (retired on 16 January 2024); Mr. Xue Zuyun, an independent non-executive director (assumed office on 16 January 2024); Members: Ms. Cheung Kit Man Alison, an independent non-executive director (retired on 16 January 2024); Mr. Dat Dzung Hao Daniel, an independent non-executive director (assumed office on 16 January 2024) and Ms. Zhu Dezhen, a non-executive director.
Nomination Committee	Chairman: Ms. Cheung Kit Man Alison, an independent non-executive director (retired on 16 January 2024); Mr. Dat Dzung Hao Daniel, an independent non-executive director (assumed office on 16 January 2024); 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; Mr. Qu Wenzhou, an independent non-executive director (retired on 16 January 2024); Mr. Xue Zuyun, an independent non-executive director (assumed office on 16 January 2024).
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; Ms. Cheung Kit Man Alison, an independent non-executive director (retired on 16 January 2024); Mr. Dat Dzung Hao Daniel, an independent non-executive director (assumed office on 16 January 2024).

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(2) *The audit committee held 4 meetings during the Reporting Period*

Date	Topic	Key opinions and proposals	Other performance of duties
16 March, 2023	The tenth meeting of the audit committee under the tenth session of the Board of Directors was held by way of physical meeting to consider the following resolutions: the Final Financial Report for the Year 2022; the 2022 Annual Report and Summary of Annual Report; the Resolution in Relation to Changes of Accounting Policies; the 2022 Annual Audit Work Summary Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers; the Resolution on the Reappointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Domestic Audit Institution and Internal Control Audit Institution of the Company for the Year 2023; the Resolution on the Reappointment of PricewaterhouseCoopers as the Overseas Audit Institution of the Company for the Year 2023; the Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2022; the Duty Performance Report of the Audit Committee under the Board of Directors of Fuyao Glass Industry Group Co., Ltd. for 2022; the Resolution in Relation to the Change of the Director of Audit Committee of the Company; and the Work Summary of the Audit Department for 2022	All resolutions were considered and approved by all members of the audit committee	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
April 27, 2023	The eleventh meeting of the audit committee under the tenth session of the Board of Directors was held in combination of physical meeting and telecommunication methods to consider the Resolution in Relation to the 2023 First Quarterly Report	All resolutions were considered and approved by all members of the audit committee	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 17, 2023	The twelfth meeting of the audit committee under the tenth session of the Board of Directors was held in combination of physical meeting and telecommunication methods to consider the Resolution in Relation to the 2023 Interim Report of the Company and its Summary	All resolutions were considered and approved by all members of the audit committee	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 16, 2023	The thirteenth meeting of the audit committee under the tenth session of the Board of Directors was held by way of physical meeting to consider the Resolution in Relation to the 2023 Third Quarterly Report	All resolutions were considered and approved by all members of the audit committee	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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(3) The nomination committee held 2 meetings during the Reporting Period

Date	Topic	Key opinions and proposals	Other performance of duties
March 16, 2023	The second meeting of the nomination committee under the tenth session of the Board of Directors was held by way of physical meeting to review the effectiveness of Board Diversity Policy	All resolutions were considered and approved by all members of the nomination committee	Ms. Cheung Kit Man Alison, chairman of the nomination committee, and Mr. Tso Fai and Mr. Liu Jing, members of the nomination committee, attended the meeting
October 16, 2023	The third meeting of the nomination committee under the tenth session of the Board of Directors was held in combination of physical meeting and telecommunication methods to consider the Resolution in Relation to the Nomination of the Candidates for Directors of the Eleventh Session of the Board of Directors	All resolutions were considered and approved by all members of the nomination committee	Ms. Cheung Kit Man Alison, chairman of the nomination committee, and Mr. Tso Fai and Mr. Liu Jing, members of the nomination committee, attended the meeting

(4) The remuneration and assessment committee held 2 meetings during the Reporting Period

Date	Topic	Key opinions and proposals	Other performance of duties
March 16, 2023	The fourth meeting of the remuneration and assessment committee under the tenth session of the Board of Directors was held by way of physical meeting to consider the Summary Report of Duty Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2022	All resolutions were considered and approved by all members of the remuneration and assessment committee	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
October 16, 2023	The fifth meeting of the remuneration and assessment committee under the tenth session of the Board of Directors was in combination of physical meeting and telecommunication methods to consider the Resolution on the Remuneration Plan of the Directors of the Eleventh Session of the Board of Directors of the Company	All resolutions were considered and approved by all members of the remuneration and assessment committee	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

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

Date	Topic	Key opinions and proposals	Other performance of duties
March 16, 2023	The sixth meeting of the strategy and development committee under the tenth session of the Board of Directors was held by way of physical meeting to consider the Resolution in Relation to the Company's Development Strategy and the Resolution in Relation to the Company's 2023 Development Plan	All resolutions were considered and approved by all members of the strategy and development committee	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
December 29, 2023	The seventh meeting of the strategy and development committee under the tenth session of the Board of Directors was held through telecommunication methods to consider the Resolution in Relation to the Company's Investment in Fuqing City, Fujian Province to Establish a Subsidiary and Develop an Automotive Safety Glass Project	All resolutions were considered and approved by all members of the strategy and development committee	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

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 of the Latest Practicable Date, 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 in accordance with the Company Law; to conduct investigation if it identifies any unusual circumstances in the Company's operation; if necessary, to engage an accounting firm, law firm or other professionals to assist in their work at the expenses of the Company; to exercise other powers specified by laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority at the location where the shares of the Company are listed and the Articles of Association or conferred by the general meetings.

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During the Reporting Period, the Board of Supervisors earnestly performed its duties in accordance with the Company Law, the Articles of Association, the Rules of Procedure for the Board of Supervisors and the requirements of relevant laws and regulations. Four meetings were held and all resolutions were approved unanimously. The details are as follows:

Session of meeting	Date	Topic	Attendance
The eleventh meeting of the tenth session of the Board of Supervisors (in combination of physical meeting and telecommunication methods)	March 16, 2023	Consideration of the Work Report of the Board of Supervisors for 2022; the 2022 Final Financial Accounts; the 2022 Annual Report and Annual Report Summary; the Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2022; and the Resolution on Change of Accounting Policy.	Mr. Bai Zhaohua, Chairman of the Board of Supervisors, Mr. Chen Mingsen and Mr. Ma Weihua, supervisors, attended the meeting
The twelfth meeting of the tenth session of the Board of Supervisors (telecommunication methods)	April 27, 2023	Consideration of the Resolution in Relation to the 2023 First Quarterly Report and the Resolution in Relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company.	Mr. Bai Zhaohua, Chairman of the Board of Supervisors, Mr. Chen Mingsen and Mr. Ma Weihua, supervisors, attended the meeting
The thirteenth meeting of the tenth session of the Board of Supervisors (in combination of physical meeting and telecommunication methods)	August 17, 2023	Consideration of the Resolution in Relation to the 2023 Interim Report of the Company and its Summary.	Mr. Bai Zhaohua, Chairman of the Board of Supervisors, Mr. Chen Mingsen and Mr. Ma Weihua, supervisors, attended the meeting
The fourteenth meeting of the tenth session of the Board of Supervisors (telecommunication methods)	October 16, 2023	Consideration of the Resolution in Relation to the 2023 Third Quarterly Report; the Resolution in Relation to the Re-election of the Members of the Board of Supervisors and the Nomination of the Candidates for Supervisors of the Eleventh Session of the Board of Supervisors of the Company; the Resolution on the remuneration of the Supervisors of the eleventh session of the Board of Supervisors of the Company; and the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year of 2024.	Mr. Bai Zhaohua, Chairman of the Board of Supervisors, Mr. Chen Mingsen and Mr. Ma Weihua, supervisors, attended the meeting

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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.

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 2023, 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. In addition, pursuant to the requirements of the expansion of the paperless listing regime by the Hong Kong Stock Exchange, with effect from January 16, 2024, the Company will disseminate its corporate communications in English and Chinese on the websites of HKEXnews of the Hong Kong Stock Exchange and the Company in lieu of printed form, and if the shareholders need to receive printed copies, please refer to the announcement of Fuyao dated January 16, 2024 in the Investor Relations section of the Company's website under the heading "Issuance of Corporate Communications" for the requesting procedure.

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

During the Reporting Period, no change was made to the Articles of Association. The Board of Directors has passed a resolution on March 15, 2024 to propose to amend certain articles of the Articles of Association in accordance with the Guidelines on the Articles of Association of Listed Companies (CSRC Announcement [2023] No. 62), the Guidelines for Supervision of Listed Companies No. 3 – Cash Dividends Distribution for Listed Companies (Revised in 2023) (CSRC Announcement [2023] No. 61) published by the CSRC on December 15, 2023, the Self-discipline Regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 1 – Standard Operation (Revised in December 2023) published by the SSE on December 15, 2023 and other relevant laws, regulations, rules and normative documents, as well as the recent rule amendments under the Hong Kong Listing Rules in relation to the expansion of paperless listing regime by taking into account the Company's actual operation needs. For details, please refer to the relevant announcement of the Company dated March 16, 2024 published on the Hong Kong Stock Exchange and the SSE.

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 accountants.

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 member of the Hong Kong Standing Committee on Company Law Reform (Standing Committee) (appointed on February 1, 2024), 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 2023, 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.



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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	1,582
Number of in-service employees of the major subsidiaries	31,139
Total number of in-service employees	32,721
The number of retired employees whose expenses are borne by the Company and its major subsidiaries ^(note 1)	34

Composition of Genders

Type of Genders ^(note 2)	Number of persons
Male	25,603
Female	7,118
Total	<u>32,721</u>

Composition of professions

Type of profession	Number of staff
Production staff	23,728
Sales staff	598
Technical staff	4,612
Finance staff	319
Administrative staff	1,130
Other staff	2,334
Total	<u>32,721</u>

Education level

Type of education level	Number of persons
University or above	5,662
Junior college	5,514
Specialised secondary school and high school	12,913
Below high school	8,632
Total	<u>32,721</u>

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Notes:

1. “The number of retired employees whose expenses are borne by the Company and its major subsidiaries” mainly refers to retired personnel re-employed;
2. The Company strictly abides by the Labor Law of the People’s Republic of China among other relevant laws and regulations, constantly standardizes and promotes the employment system, and has issued the Regulations on Recruitment Management and the Regulations on the Management of Protection of the Rights and Interests of Employees based on its own development and the actual needs of employees, which lay down stringent requirements in respect of the diversity and equality of employees. As at the end of the Reporting Period, the female accounted for 21.75% of the total number of employees of the Group, and the male accounted for 78.25% 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.

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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 shall put forward a plan for the percentage of dividends to be distributed each year based on the Company's earnings of the year and budgets for the future; (3) specific conditions for share dividends distribution: where the Company operates and grows well and the Board of Directors of the Company believes that the Company's earnings per share, share price and net assets per share do not match the size of the Company's share capital, the Company may, on the premise of meeting the said percentage of cash dividends distribution, distribute profits by distributing share dividends. In determining the specific amount of the share-based profit distribution, the Company shall take full account of whether the total share capital after the share-based dividend distribution is suitable for the current business scale, earnings growth and dilution of net assets per share, and the impact on future debt financing cost, so as to ensure that the profit distribution plan is in the interest of all shareholders as a whole in the long run.

For details such as the specific distribution policies, please refer to the "Profit Distribution Plan of Fuyao Glass for Shareholders for the Upcoming Three Years (2021-2023)" dated June 18, 2021 as published on the Shanghai Securities News, the China Securities Journal and the Securities Time and the websites of the SSE (<http://www.sse.com.cn>) and Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

2. During the Reporting Period, the Company carried out the annual profit distribution for 2022: cash dividends of RMB1.25 per share (tax inclusive) were distributed based on the total issued share capital of 2,609,743,532 shares of the Company with the total dividends amounting to RMB3,262,179,415 (tax inclusive). The distribution date of cash dividends of A shares was May 18, 2023, and the distribution date of cash dividends of H shares was June 16, 2023.

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(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
Whether the independent directors have performed their duties and played their due roles	✓ Yes	No
Whether small and medium shareholders have the opportunity to fully express their opinions and appeals, and whether their legal rights and interests have been fully protected	✓ Yes	No

(III) Proposed profit distribution and conversion of capital reserve into share capital plan during the Reporting Period

Unit: Yuan Currency: RMB

Number of bonus shares to be distributed for every ten shares (<i>shares</i>)	0
Amount of dividends to be distributed for every ten shares (<i>Yuan</i>) (<i>including tax</i>)	13.00
Number of shares to be transferred into share capital for every ten shares (<i>shares</i>)	0
Amount of cash dividends (<i>including tax</i>)	3,392,666,591.60
Annual profit attributable to owners of the Company as reflected in the consolidated financial statements for the year of distribution	5,628,684,596
Percentage in annual profit attributable to owners of the Company as reflected in the consolidated financial statements (%)	60.27
Repurchase of shares for cash included in cash dividends	0
Total amount of cash dividends (<i>including tax</i>)	3,392,666,591.60
Percentage of total amount of cash dividends in net profit attributable to shareholders of ordinary shares of the listed company as reflected in the consolidated financial statements (%)	60.27

Note: As considered and approved at the third meeting of the eleventh session of the Board of Directors of the Company, the profit distribution plan for the year of 2023 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 2023, 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 2023, with a cash dividend of RMB1.30 (tax inclusive) per share, and the remaining undistributed profits of the Company will be carried forward to the following year. As of 31 December 2023, 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 RMB3,392,666,591.60 (tax inclusive). The aforesaid amount of cash dividend proposed to be distributed accounted for 60.27% 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 2023.

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

The remuneration and assessment committee under the Board of Directors 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 2023, 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. CORPORATE CULTURE

Fuyao Group has been adhering to the business philosophy of “respecting the heaven and loving people to the end of perfect kindness”, adhering to the core values of “diligence, simplicity, learning and innovation”. Fuyao Group has never forgotten its original intention, adhered to its main businesses and strived for breakthroughs, and taken the quality of its products, intelligent manufacturing and industrial layout seriously. Taking the market as the guide, Fuyao Group constantly extends the boundary of “a piece of glass”, promotes the transformation of industrial development from “a product supplier” to “a supplier providing customers with automotive glass solutions”, and continues technological innovation to promote product upgrading and iteration and achieve technological leadership.

In this process, the Company has established a sense of social responsibility, built a positive corporate culture, created an environment suitable for “learning, working, living and developing”, strictly implemented various laws and regulations to protect the legitimate rights and interests of employees, established a perfect training system and incentive mechanism to enhance the cohesion and sense of belonging of the employees, and increased cross-cultural integration globally.

XXVI. 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 2023, 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.

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(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, and kept 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, 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 control with responsibilities to enforce in compliance with regulations", and safeguarded the Company in achieving its ambitious strategic objectives.

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 is in charge of supervising, reviewing and evaluating the implementation of internal controls on the risk management of the Company and its subsidiaries, coordinating 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 management of the Company has reviewed the principal business and matters such as corporate governance, capital activities, information disclosure, financial reports, comprehensive budget, sales business and information systems, and no significant or material deficiency has been found; 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.

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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.

XXVII. 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 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 were in line with the requirements in relation to governance practices of listed companies issued by the CSRC.

XXVIII. 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)	11,823.44

(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

Name of company or subsidiary	Type of pollutant	Major pollutants and characteristic	Pollutants emission methods	Number of emission outlets	Distribution of emission outlets	Emission concentration	Enforcement of pollutant emission standards	Total emission for the year	Pollutant emission approved	Excessive emissions
Fujian Wanda Automobile Glass Industry Co., Ltd.	Wastewater	PH	Continued emission	2	Emission outlet No.1 (DW001) and Emission outlet No.2 (DW002)	7.15	Table 4, Class III Standard for GB8978-1996 Comprehensive Wastewater Discharge Standards	/	/	Nil
		SS				24.63mg/L		19.99t	/	Nil
		COD				29mg/L		21.84t	/	Nil
		BOD5				11.6mg/L		7.92t	/	Nil
		PFC				ND		/	/	Nil
		Petroleum				0.75mg/L		0.47t	/	Nil
Ammonia nitrogen	2.09mg/L	1.25t	Table 1 Class B Standard for GB31962-2015 Water Quality Standards for Wastewater Discharged into Town Drainage Sewers	/	Nil					
	Waste gas	TOL	Organized emission	11	Area around the factory	ND	Table 1 for DB35/1784- 2018	/	/	Nil
		PX				2.78mg/m ³		0.56t	/	Nil
		NMHC				7.37mg/m ³		1.37t	/	Nil
	Soil	During the Reporting Period, a total of 273.55 tons of hazardous waste was generated by Fujian Wanda Automobile Glass Industry Co., Ltd. and was legally disposed of by manufacturers with hazardous waste operation qualifications.								

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Name of company or subsidiary	Type of pollutant	Major pollutants and characteristic	Pollutants emission methods	Number of emission outlets	Distribution of emission outlets	Emission concentration	Enforcement of pollutant emission standards	Total emission for the year	Pollutant emission approved	Excessive emissions
Guangzhou Fuyao Glass Co., Ltd.	Wastewater	COD	Indirect emission	1	Integrated wastewater outlet inside the factory	13mg/L	Class 1 Emission Standards for the second stage per Water Pollutant Discharge Limits (DB44/26-2001)	8.5t	/	Nil
		Ammonia nitrogen				0.306mg/L		0.156t	/	Nil
		pH				6.9		/	/	Nil
		Chroma				2		/	/	Nil
		LAS				0.05mg/L		0.024t	/	Nil
		Petroleum				0.30mg/L		0.282t	/	Nil
		BOD5				3mg/L		2.231t	/	Nil
	SS	12mg/L	5.729t	/	Nil					
	Waste gas	BTX TOL+PX TVOC	Organized emission	13	Area around the factory	0.012mg/L	Emission limits for second stage per the Volatile Organic Compounds Emission Standards for the Printing Industry (DB44/815-2010) Emission Standards for Volatile Organic Compounds in Furniture Manufacturing Industry (DB44/814-2010)	0.0067t	/	Nil
						0.3775mg/L		0.238t	/	Nil
						7.064mg/L		4.033t	/	Nil
		NMHC	4	11.2075mg/L	Emission Standards for Pollutants in Synthetic Resin Industry (GB31572-2015)	3.43t	/	Nil		
	HCl	1	0.82mg/L	Class 2 Standard for second stage per Emission Limits for Air Pollutants (DB44/27-2001)	0.028t	/	Nil			
Soil	During the Reporting Period, a total of 134.306 tons of hazardous waste was generated by Guangzhou Fuyao Glass Co., Ltd. and was legally disposed of by manufacturers with hazardous waste operation qualifications.								Nil	
Fuyao Glass Industry Group Co., Ltd. (Fuqing Float)	Waste gas	NO _x	Organized and continuous emission	3	Three chimney vents on the west side of the float factory site	Line 1: 38.568mg/m ³	Emission Standards for Air Pollutants in Flat Glass Industry (GB26453-2011)	437.596t	917.668t	Nil
						Line 2: 297.159mg/m ³				
						Line 3: 318.065mg/m ³				
	SO ₂	Line 1: 22.099mg/m ³	Emission concentration limits: NO _x : 700mg/m ³ SO ₂ : 400mg/m ³ Dust: 50mg/m ³	201.514t	518.684t	Nil				
		Line 2: 189.052mg/m ³								
		Line 3: 89.953mg/m ³								
	Dust	Line 1: 2.795mg/m ³	13.900t	42.977t	Nil					
		Line 2: 11.859mg/m ³								
		Line 3: 6.099mg/m ³								
		Wastewater				Organized interval discharge	1	Wastewater discharge outlet on the north-east side of the float factory site	7.4	Class 3 Standard for wastewater discharged into the municipal sewage network per Comprehensive Wastewater Discharge Standards (GB 8978-1996)
pH	0.4771t	/	Nil							
SS	15mg/L	0.8327t	/	Nil						
COD	7mg/L	0.3826t	/	Nil						
BOD5	0.875mg/L	0.0500t	/	Nil						
Ammonia nitrogen	0.01mg/L	0.0006t	/	Nil						
Sulfide	0.1mg/L	0.0040t	/	Nil						
Plant and animal oils	0.228mg/L	0.1551t	/	Nil						
TP										

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2. Construction and operation of pollution prevention and control facilities

Subject to and in compliance with national regulations and emission standards, the Company and its important subsidiaries have implemented the standards for pollutant emissions and discharge in China; the wastewater, waste gas, noise and solid waste are all discharged in compliance with the regulations.

Wastewater: production wastewater is recycled to be used, through the construction of water reuse treatment system, the use of sedimentation + flocculation air flotation + sand filtration, carbon filtration process, thereby reducing the discharge of wastewater, and the wastewater processed by the water reuse system reaches the discharge standard, which is connected to the municipal sewer network, and the domestic wastewater is treated by septic tanks of various subsidiaries and discharged into the municipal sewer network.

Waste gas: for the waste gas generated from the production of float glass, we use natural gas as a production fuel, and the flue gas generated from the combustion of natural gas is discharged through a 100-meter-high chimney after the treatment of dedusting and denitrification. For the waste gas generated from the production of car glass, we collect waste gas through the establishment of a unified waste gas collection device, and then purify it through catalytic oxidation, adsorption of activated carbon, and water spraying treatment equipment, and finally discharge it through a 15-meter-high exhaust pipe in compliance with the regulations. For the waste gas generated from the production of aluminium ornaments, the polishing dust is treated by a vertical cyclone water film dust collector, and the acidic waste gas is treated by the acid mist treatment method that combines the covering method and the absorption method, and the paint spraying room is treated by a water curtain paint & mist removal device, an activated carbon and a catalytic combustion device to meet the standards and then is discharged through a 15-meter-high exhaust pipe, and Organic waste gas from the paint mixing room and the curing system is treated with activated carbon + desorption catalytic combustion device to meet the standards, and then is discharged through a 15-meter-high exhaust pipe.

Noise: we reduce the noise of the plant boundary through the purchase of low-noise equipment, installation of vibration damping pads, noise insulation, muffling and other noise reduction measures and reasonable layout of the plant plane.

Waste management: waste is classified and collected by each generating department of subsidiaries, and the logistics department of the subsidiary implements unified management and engages qualified units to dispose of them in a reasonable and regular manner according to the hazardous waste disposal plan. For general industrial solid domestic waste and sludge from industrial sedimentation tanks, we entrust the environmental sanitation department to forward such wastes for removal and disposal.



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

Pursuant to the Regulations of the State Council on the Administration of Environmental Protection of Construction Projects, the Environmental Impact Assessment Law of the People's Republic of China and the Provisional Measures for the Acceptance of Completion of Environmental Protection of Construction Projects of the Ministry of Ecology and Environment, the Company's new reconstruction and expansion projects have strictly complied with the requirements of the laws and regulations and implemented the environmental impact assessment system for construction projects.

The projects of the Company and its key subsidiaries listed as key pollutant discharging companies have all obtained project EIA approvals in accordance with the law, and the relevant supporting environmental protection facilities have passed the environmental protection inspection and acceptance, and the Company has obtained pollution permits, and has carried out third-party environmental monitoring on a regular basis in accordance with the Technical Specification for Application and Issuance of Pollution Permits – Vehicle Manufacturing, with the monitoring results meeting all the standards.

4. Contingency plan for environmental emergencies

The Company and its key subsidiaries listed as key pollutant discharging companies have prepared contingency plans for environmental emergencies in accordance with the relevant national laws and regulations as well as the actual situation in the countries in which they are located and have formulated special plans and on-site disposal plans according to the actual needs. Meanwhile, the Company has conducted a comprehensive assessment of the risk prevention and control capabilities of the environmental emergencies and has accurately determined the level of the environmental risks of the Company in respect of the emergencies and has revised and improved the Emergency Response Plan for Environmental Emergencies on the basis of the assessment of the environmental risks, which was reviewed by environmental protection experts and filed with the local environmental protection system. Through the emergency drills of each plan, the emergency response, environmental monitoring, emergency treatment and system operation continuously work with the emergency plan, so as to further prevent and effectively respond to sudden environmental pollution incidents.

5. Environmental self-monitoring program

The Company and its key subsidiaries listed as key pollutant discharging companies have formulated an environmental self-monitoring programme to conduct regular self-monitoring or outsourced monitoring of the discharge of sewage, waste gas and noise, which is monitored by the local environmental protection department in real time via internet transmission.

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

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

(1) Float glass business division

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

Fuqing Float has three automotive grade float glass production lines, one of which was suspended in 2019 and resumed production in September 2021. 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 characteristic pollutants are dust, SO₂ and NO_x. Fuqing Float implements the emission standard in the Chart 2 of GB26453-2011 Emission Standards for of Air Pollutants in Flat Glass Industry.

Fuqing Float has constructed three sets of dust removal and denitration facilities, which have been successively upgraded to an integrated facility for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter) in 2021, 2022 and 2023, respectively. Tongliao Float has built two lines, one of which uses a set of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration and the other line has been upgraded to an integrated facility for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter) in 2023; 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 m³/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 m³/hour to 80,000 m³/hour.



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(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 characteristic pollutants include waste gases, production wastewater, domestic sewage, hazardous wastes, general industrial solid waste, domestic waste, noise, etc.

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 air 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 from the waste water treatment station and domestic waste 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 characteristic 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.



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(3) Aluminum accessories business division

The Company's aluminum accessories business division is mainly engaged in the design, development, production and manufacture of aluminum alloy parts and other auto part products. Its main products mainly include aluminum and magnesium alloy automobile bright trims, luggage racks, edging strips, brackets, etc. The characteristic pollutants are waste gases, production wastewater, domestic sewage, hazardous wastes, general industrial solid wastes, domestic waste, sludge from the biochemical sedimentation tank, noise, etc.

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

The verification and monitoring data of the environmental protection authority indicate that the emission concentrations of the characteristic pollutants including waste gases and waste water generated by the aluminum accessories business division of the Company are in compliance with 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

(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 eleven subsidiaries including Fuqing Float, Zhengzhou Fuyao Glass Co., Ltd., Tianjin Hongde Auto Glass Co., Ltd., Fuyao Glass (Suzhou) Co., Ltd. and Shanghai Automotive Glass, with a total installed capacity of 121.55MW, 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 successively 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) 188,507.67

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.) Carbon reduction measures are mainly self-built photovoltaic power, waste heat utilization and technical renovation for energy conservation, and major measures in 2023 consist of the following:

1. The distributed photovoltaic project construction of Chongqing Wansheng Fuyao Glass Co., Ltd., which has been put into operation in July 2023, is expected to reduce carbon dioxide equivalent by 5,603 tons annually; the rest of the Group's distributed photovoltaics generated a total of 93,139,443 kWh of electricity, with an annual decrease of 63,012.67 tons of carbon dioxide equivalent;
2. The air compressor energy-saving system of Fuyao Group (Shanghai) Automotive Glass Co., Ltd. has been reformed, reducing approximately 6,515 tons of carbon dioxide equivalent emissions annually;
3. The twin-screw air compressor of Guangzhou Fuyao Glass Co., Ltd. has been upgraded and renovated to save energy, saving 4.123 million kWh of electricity annually and reducing 2,173 tons of carbon dioxide equivalent annually;
4. The construction of waste heat recovery and utilization systems for air compressors and other mechanical and electrical equipment of Fujian Wanda Automobile Glass Industry Co., Ltd. saves 4.092 million kWh of electricity annually and reduces 2,872 tons of carbon dioxide equivalent annually;
5. Fuyao Glass (Hubei) Co., Ltd. has reduced its comprehensive power consumption by 11.6% and carbon dioxide equivalent by 2,063 tonnes in 2023 by improving the power consumption of the drying machines, pretreatment workshop, pretreatment gas, dryer, pressing furnace and autoclave/air compressor in No. 1 and No. 2 Plants, fan and GT furnace air compressor in tempering plants;
6. The waste heat recovery system of the four subsidiaries of Float has generated 77,346,200 kWh, reducing the annual carbon dioxide equivalent by 106,269 tons.

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 2023 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 2023 Environmental, Social and Governance Report in accordance with the provisions of Appendix C2 of the Hong Kong Listing Rules. The 2023 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd., the 2023 Environmental, Social and Governance Report and the 2023 Annual Report for A Shares and 2023 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>)	94,808.20
Including: Funds (<i>RMB10,000</i>)	94,808.20
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 RMB941,300,000 of Heren Charitable Foundation, which was established via 300 million shares of Fuyao Glass held by Mr. Cho Tak Wong, and mainly used for the construction of Fuzhou Fuyao Institute for Advanced Study and supporting the construction of Cho Tak Wong Business School of Xiamen University. 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>)	62.28
Including: Funds (<i>RMB10,000</i>)	62.28
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.)	

Illustration

The above data include the investment of RMB622,800 for the poverty alleviation and rural revitalisation projects of the Company.

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 of the undertaking	Whether there is a term for the undertaking	Term of 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 (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).	Date of announcement of the undertaking: June 18, 2021	Yes	January 1, 2021 to December 31, 2023	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, mergers and acquisitions of any companies, entities or economic organizations engaged in the same or similar main business or primarily manufacturing the same or similar products (the "Non-competition Undertakings"). In addition, they acknowledged that the Company shall have priority to develop any new business in the future, and they will not, and will procure any companies controlled by him/her/it not to develop such new business. In addition to Mr. Cho Tak Wong, Sanyi, Homekiu and their respective associates, none of the other directors of the Company or their respective associates is interested in any business which is, whether directly or indirectly, in competition with the business of the Company.

For the purpose of compliance with the Non-competition Undertakings, the Company requested the above-mentioned shareholders and their associates to present a written confirmation (the "Written Confirmation"), confirming that they have adhered to such Non-competition Undertakings for the year. Upon receiving such Written Confirmation, the audit committee of the Company has reviewed the same as part of the annual review process. In the annual review conducted to determine whether the above-mentioned substantial shareholders have fully complied with such Non-competition Undertakings in 2023, the audit committee of the Company noted that (1) the substantial shareholders declared that they had fully complied with the Non-competition Undertakings for the financial year ended December 31, 2023; (2) no new competing business was reported by such substantial shareholders in 2023; (3) there was no particular situation rendering the full compliance with the Non-competition Undertakings questionable.

In light of the above, the Company confirms that the above-mentioned substantial shareholders have fully complied with their Non-competition Undertakings for the year ended December 31, 2023.

II. ANALYSIS AND EXPLANATION ON THE REASONS AND IMPACTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS OF THE COMPANY

(I) Analysis and explanation on the reasons for and impacts of changes in accounting policies and accounting estimates of the Company

For detailed information, please refer to "2.1(a) New and amended standards adopted by the Group" under Note 2 "Summary of Material Accounting Policies" in "Section XI Financial Report".



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		510
Years of audit of the domestic accounting firm		22
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		5
Name of the overseas accounting firm	PricewaterhouseCoopers	
Remuneration for the overseas accounting firm		107
Years of audit of the overseas accounting firm		9

	Name	Remuneration
Accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)	75

Note: Save for the above, in 2023, 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 RMB6,528,300, and the amount of tax was RMB391,700.

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 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 Yaohua Industrial Village Development Co., Ltd., or entered into agreements in respect of relevant transactions:

- 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 announcement published on the SSE.

For the year ended December 31, 2023, the approved annual caps and the amount of transactions incurred in relation to non-exempt 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 2023	Consolidated transaction amount in 2023
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	€3.29 million	€2.7572 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 2023 was exclusive of tax of €0.5239 million.



Section VIII Significant Events

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

- (1) entered into in the ordinary course of business of the Company;
- (2) 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
- (3) conducted in accordance with the terms of the agreements for relevant transactions and the terms of such transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board of Directors of the Company has received a confirmation letter in relation to the non-exempt continuing connected transactions from PricewaterhouseCoopers, the auditor of the Company, confirming with respect to the continuing connected transactions as at December 31, 2023 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 auditor 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 auditor's attention that causes the auditor to believe that the amounts of the transactions exceeded the annual caps set by the Company.
2. (1) 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. (2) The Company entered into a new lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. on April 27, 2023 to lease the newly constructed properties of 108,623.21 square meters from Yaohua Industrial Village for a term from October 1, 2023 to December 31, 2028. (3) The Company entered into a supplemental lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. on September 28, 2023 to lease the newly constructed properties of 4,990.44 square meters from Yaohua Industrial Village for a term from October 1, 2023 to December 31, 2028.

Section VIII Significant Events

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 lease contract and 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 in order to meet the accommodation demand of staff, and the acquisition and utilization of the leased properties of the Company by way of lease rather than construction is 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 from Fujian Yaohua Industrial Village Development Co.,Ltd.; (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.

Principal terms of the new lease contract entered into between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. mainly include: (i) the Company will lease the properties, including talent apartments and parking spaces in District II of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province from Fujian Yaohua Industrial Village Development Co.,Ltd.; (ii) the total rent for the lease period is payable within 60 days from the date of signing the new lease contract. For details of the terms and conditions, please refer to the announcement titled "The Connected Transaction under the New Lease Contract" disclosed on April 28, 2023 by the Company on the website of the Hong Kong Stock Exchange and the announcement published on the SSE.

Principal terms of the supplemental lease contract entered into between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. mainly include: (i) the Company will lease the 2/F and 3/F of the talent apartments S1# in District II of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province from Fujian Yaohua Industrial Village Development Co.,Ltd.; (ii) the total rent for the lease period is payable within 60 days from the date of signing the new lease contract. This property lease was fully exempted as the applicable percentage ratio of the estimated value of the right-of-use asset to be recognized by the Company under the supplemental lease contract was less than 0.1%.



Section VIII Significant Events

The right-of-use assets acquired under the aforesaid lease contracts will be recognized by the Group in its consolidated statement of financial position in accordance with the International Financial Reporting Standards (IFRS) 16, and the relevant transactions constitute a one-off connected transaction under Chapter 14A of the Hong Kong Listing Rules. At the same time, the transactions also constitute connected transactions under the Rules Governing the Listing of Stocks on the SSE. For the year ended December 31, 2023, the approved annual caps (as set out in the Rules Governing the Listing of Stocks on the SSE) and the actual transaction amount of the connected transactions contemplated under the lease contracts 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 2023	Consolidated transaction amount in 2023
Expenses of the Company arising from leasing the properties of Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates under the lease contracts	Approximately RMB40.07 million	RMB39.6397 million

Notes:

- 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 amount of the above transactions represents the sum of the rental amounts for the lease contract entered into on October 28, 2021, the new lease contract entered into on April 27, 2023, and the fully exempt supplemental lease contract entered into on September 28, 2023.

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

- 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 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.

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2024 was considered and approved at the fifteenth meeting of the tenth session of the Board of Directors of the Company convened on October 16, 2023.

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 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>).

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 17, 2023 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

2. Matters disclosed in interim announcements with subsequent development or changes during implementation

On April 27, 2023, the thirteenth meeting of the tenth session of the Board of Directors of the Company was convened to consider and approve the Resolution in Relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company. The Company has leased the newly-built talent apartments of 83,370.29 square meters and the parking space of 25,252.92 square meters of Districts II of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province, with a total leased property area of 108,623.21 square meters from Fujian Yaohua Industrial Village Development Co., Ltd.. The monthly unit rent is RMB20.00 per square meter (tax inclusive), the monthly rent is RMB2,172,464.20 (tax inclusive), and the annual rent is RMB26,069,570.40 (tax inclusive). The term of the lease is from October 1, 2023 to December 31, 2028. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Leasing of Property dated April 28, 2023 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the Securities Daily and on the website of the SSE (<http://www.sse.com.cn>), and the Announcement on the Connected Transaction under the New Lease Contract dated April 28, 2023 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

On September 28, 2023, the Company entered into a supplemental contract with Fujian Yaohua Industrial Village Development Co., Ltd. to increase the lease of the 2/F and 3/F of the talent apartments S1# in District II of Fuyao Industrial Zone, with a lease area of 4,990.44 square meters, at a monthly unit rent of RMB20.00 per square meter (tax inclusive), and a monthly rent of RMB99,808.80 (tax inclusive). The annual rent is RMB1,197,705.60 (inclusive of tax), and the term of the lease is from October 1, 2023 to December 31, 2028. As the transaction amount of the supplemental contract is relatively small, the transaction is 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.

Section VIII Significant Events

Connected transactions in relation to the daily operations in 2023 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 2023	Actual amounts in 2023	Percentage of amount of the same type of transactions (%)	Settlement method of connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Purchase of goods	Procurement of raw and auxiliary materials	Market price	12,000.00	8,592.05	36.19	30 days from the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Purchase of goods	Procurement of raw and auxiliary materials	Market price	40,000.00	15,148.14	63.81	60 days from the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sales of goods	Sale of raw and auxiliary materials	Market price	20.00	0	0	
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sales of goods	Sale of raw and auxiliary materials	Market price	300.00	0	0	
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	160.00	149.92	100	30 days from 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	305.29	83.65	30 days from 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	59.69	16.35	30 days from the invoice date

Section VIII Significant Events

Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Acceptance of labor services from connected persons	Acceptance of labor services	Market price	5.00	1.94	5.06	30 days from the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflows	Revenue from leasing of iron frames	Market price	30.00	21.60	100	30 days from the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other outflows	Expenditures incurred for leasing of iron frames	Market price	40.00	28.94	100	30 days from the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Other	Other outflows	Leasehold property	Market price	3,976.58	3,934.03	57.16	see Note 2
Global Cosmos German Limited	Other	Other outflows	Leasehold property	Market price	2,523.07	2,114.48	30.72	Payment before June 30
Total					<u>59,434.65</u>	<u>30,356.08</u>		

Notes:

- The actual amounts for the provision of labor services to Tri-Wall Packaging (Fuzhou) Co., Ltd. by the Company in 2023 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 the Articles of Association.
- The Company and Fujian Yaohua Industrial Village Development Co., Ltd. entered into the Property Lease Contract on October 28, 2021, with a leased area of 158,325.65 square meters at an annual rent of RMB33,248,400, for a term of three years from January 1, 2022 to December 31, 2024, with the total rent for the next lease year payable from December of each year to January of the following year. The Company and Fujian Yaohua Industrial Village Development Co., Ltd. entered into the Property Lease Contract on April 27, 2023, with a leased area of 108,623.21 square meters and an annual rent of RMB26,069,600, for a term commencing from October 1, 2023 to December 31, 2028, and the total rent for the lease period is payable within 60 days from the date of signing the contract.

Section VIII Significant Events

3. 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
Fujian Triplex Auto Parts Development Co., Ltd.	Other	Renting in and renting out	Leasehold property	Market price	804.00	11.68	see Note
Fujian Triplex Auto Parts Development Co., Ltd.	Other	Water, electricity, gas and other utility expenses (purchase)	Purchase of water and electricity	Market price	20.03	100	30 days from 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	420.33	100	30 days from the invoice date
China National Automobile (Beijing) Intelligent Connected Vehicle Research Institute Co., Ltd.	Other	Acceptance of labor services	Acceptance of labor services	Market price	36.37	94.94	30 days from the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Other	Other outflows	Leasehold property	Market price	29.94	0.44	Payment of the full rent for the lease period within 60 days from the date of signing the contract
Total					<u>1,310.67</u>		

Note to the connected transaction

As the amounts of the transactions conducted between the Company, Fuyao Group Beijing Futong Safety Glass Co., Ltd., China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd., Fujian Triplex Auto Parts Development Co., Ltd. and Fujian Yaohua Industrial Village Development Co., Ltd. are relatively small, such 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 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 and dormitory located in 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 of the factory buildings 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 meters with the lease term from July 1, 2022 to June 30, 2024 (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

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	42,496.20
Balance of the total amount of the guarantees for subsidiaries at the end of the Reporting Period (B)	0

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

Total amount of guarantees (A+B)	0
Total amount of guarantees as a percentage of the net assets of the Company (%)	0
Including:	0
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 29, 2023

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, 2023, the total number of shareholders of the Company was 138,108, of which, 138,065 were holders of A shares and 43 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	138,108
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed	122,140
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)	Particulars of top 10 shareholders (excluding lending of shares through securities financing)					
	Increase/ decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Pledged, tagged or moratorium Status of shares	Nature of shareholders Number
HKSCC NOMINEES LIMITED ^(Note)	2,785	595,877,144	22.83		Unknown	Unknown
Hong Kong Securities Clearing Company Limited	110,743,328	453,906,124	17.39		Unknown	Unknown
Sanyi Development Limited	0	390,578,816	14.97		Nil	Overseas legal person
Heren Charitable Foundation	0	169,512,888	6.50		Nil	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)	-3,609,618	37,273,663	1.43		Unknown	Unknown
Bai Yongli	16,000	34,669,315	1.33		Unknown	Unknown
China Securities Finance Corporation Limited	0	28,095,485	1.08		Unknown	Unknown
Li Fuqing	4,642,819	25,204,785	0.97		Unknown	Unknown
Fujian Yaohua Industrial Village Development Co., Ltd.	0	24,077,800	0.92		Nil	Domestic non-state-owned legal person
Li Haiqing	1,217,481	23,139,540	0.89		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 ^(Note)	595,877,144	Overseas listed foreign shares	595,877,144
Hong Kong Securities Clearing Company Limited	453,906,124	Ordinary shares denominated in RMB	453,906,124
Sanyi Development Limited	390,578,816	Ordinary shares denominated in RMB	390,578,816
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)	37,273,663	Ordinary shares denominated in RMB	37,273,663
Bai Yongli	34,669,315	Ordinary shares denominated in RMB	34,669,315
China Securities Finance Corporation Limited	28,095,485	Ordinary shares denominated in RMB	28,095,485
Li Fuqing	25,204,785	Ordinary shares denominated in RMB	25,204,785
Fujian Yaohua Industrial Village Development Co., Ltd.	24,077,800	Ordinary shares denominated in RMB	24,077,800
Li Haiqing	23,139,540	Ordinary shares denominated in RMB	23,139,540
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, 2023, 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 C3 of the Hong Kong Listing Rules, were as follows:

Name	Capacity/nature of interest	Number of shares interested	Percentage of total issued share capital of the relevant class of shares ⁽³⁾ (%)	Percentage of total issued share capital of the Company ⁽³⁾ (%)	Class of shares
Cho Tak Wong (an executive director and the chairman) ⁽¹⁾	Beneficial owner/spouse interest/interest of controlled corporation	414,971,444(L) ⁽⁴⁾	20.72(L)	15.90(L)	A share
Tso Fai (an executive director and the vice chairman) ⁽²⁾	Interest of controlled corporation	12,086,605(L)	0.60(L)	0.46(L)	A share

Notes:

- (1) Mr. Cho Tak Wong directly holds 314,828 A shares (L) and indirectly holds 390,578,816 A shares (L) through Sanyi Development Limited. In addition, Mr. Cho Tak Wong is deemed to be interested in the 24,077,800 A shares (L) indirectly held by his spouse, Ms. Chan Fung Ying.
- (2) Mr. Tso Fai indirectly holds 12,086,605 A shares (L) through Homekiu Overseas Holdings Limited.
- (3) The percentage is based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2023.
- (4) (L) – long position.

Save as disclosed above, as at December 31, 2023, 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, 2023, 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 ⁽⁵⁾ (%)	Percentage of total issued share capital of the Company ⁽⁵⁾ (%)	Class of shares
Chan Fung Ying ⁽¹⁾	Spouse interest/interest of controlled corporation	414,971,444(L) ⁽⁶⁾	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
GIC Private Limited	Investment manager	30,351,732(L)	5.00(L)	1.16(L)	H share
Citigroup Inc. ⁽²⁾	Interest of controlled corporation/approved lending agents	54,732,540(L) 1,391,906(S) ⁽⁶⁾ 53,366,687(P)	9.02(L) 0.23(S) 8.80(P)	2.10(L) 0.05(S) 2.04(P)	H share
JPMorgan Chase & Co. ⁽³⁾	Interest of controlled corporation/investment manager/secured equity holders/approved lending agent	92,051,909(L) 379,200(S) 10,785,329(P)	15.17(L) 0.06(S) 1.78(P)	3.53(L) 0.01(S) 0.41(P)	H share
Schroders PLC ⁽⁴⁾	Investment manager	48,647,200(L)	8.02(L)	1.86(L)	H share

Notes:

- (1) Ms. Chan Fung Ying indirectly holds 24,077,800 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua"). In addition, she was deemed to be interested in 390,893,644 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) Citibank, N.A. and Citigroup Global Markets Limited, the entities controlled by Citigroup Inc., held 54,732,540 H shares (L), 1,391,906 H shares (S) and 53,366,687 H shares (P) of the Company in aggregate, of which, 703,200 H shares (L) and 177,600 H shares (S) were related to the listed derivatives – cash settled.
- (3) JPMorgan Chase & Co. holds 92,051,909 H shares (L), 379,200 H shares (S) and 10,785,329 H shares (P) of the Company through several controlled entities, of which, 422,400 H shares (L) and 213,200 H shares (S) were related to the listed derivatives – cash settled.

Section IX Changes in Shares and Information of Shareholders

- (4) Schroders PLC holds 48,647,200 H shares (L) of the Company through several controlled entities, of which, 95,200 H shares (L) was related to the non-listed derivatives – cash settled.
- (5) 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, 2023.
- (6) (L) - long position, (S) - short position, (P) - lending pool.

Save as disclosed above, as at December 31, 2023, 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 (DETERMINED IN ACCORDANCE WITH THE RULES OF THE SSE)

(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

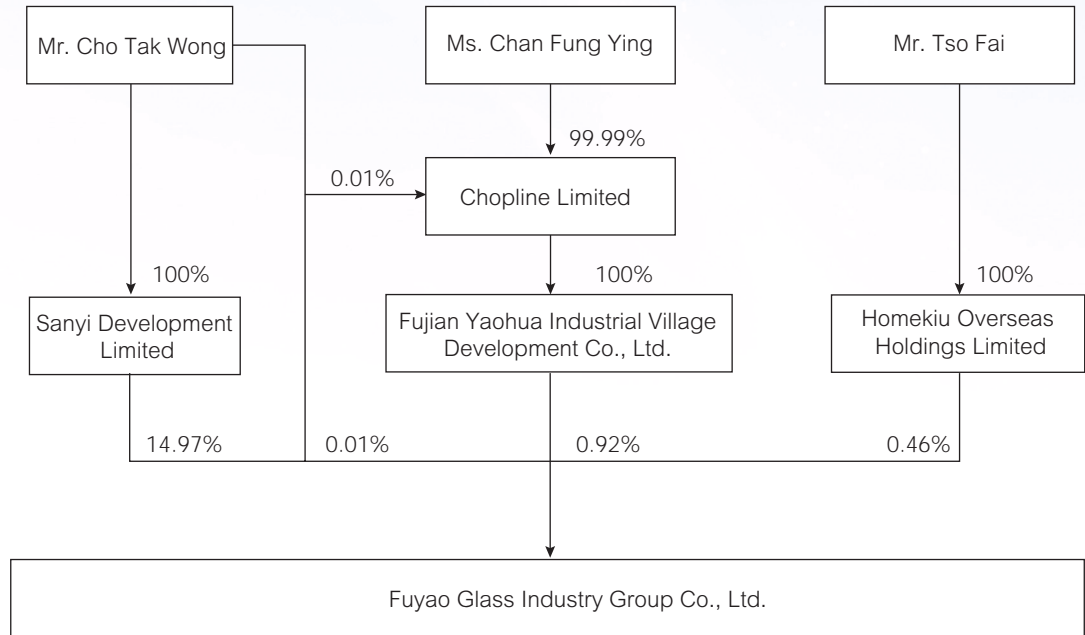
1 Natural person

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 a permanent honorary president of the Fujian Charity Federation. Mr. Cho Tak Wong currently 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



Section X Relevant Information on Bonds

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

(I) Debt financing instruments of non-financial enterprises in the inter-bank bond market

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

There are no bonds in existence of the Company as of the date of approval of the 2023 annual report.

Payment of interest of bonds during the Reporting Period

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
Second tranche of 2020 medium-term notes 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
Ninth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Tenth tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest

2. 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, 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 Bonds

(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	2023	2022	Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	Reason for changes
Net profit attributable to shareholders of the listed company, net of non-recurring profit or loss	5,527,467,830	4,665,705,551	18.47	
Current ratio ⁽¹⁾	2.22	1.71	29.82	The year-on-year increase in quick ratio was mainly due to the decrease in short-term interest-bearing liabilities
Quick ratio ⁽²⁾	1.88	1.4	34.29	
Gearing ratio (%) ⁽³⁾	44.53%	42.90%	1.63%	
Total debt to EBITDA ratio ⁽⁴⁾	0.55	0.54	1.85	
Interest coverage ratio ⁽⁵⁾	21.78	19.62	11.01	
Cash interest coverage ratio ⁽⁶⁾	26.03	22.95	13.42	
EBITDA interest coverage ratio ⁽⁷⁾	29.62	27.46	7.87	
Loan repayment ratio (%) ⁽⁸⁾	100%	100%	0	
Interest repayment ratio (%) ⁽⁹⁾	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 127 to 223, comprise:

- the consolidated balance sheet as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 of sales to China and overseas OEM customers.

Key Audit Matter

Revenue recognition of sales to China and overseas OEM customers

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

During the year ended 31 December 2023, revenue from sales to China and overseas OEM customers amounted to RMB24,877 million, which represented approximately 75% of total revenue.

Refer to Note 2.19 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 confirm 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, 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 deploy significant audit resources to execute the audit procedures.

How our audit addressed the Key Audit Matter

We understood, evaluated and validated management's internal controls around the Group's sales transactions from customer order's approval to sales recording.

We understood and evaluated the revenue recognition policy of the Group by reviewing the sales contracts entered into with the customers and interviewing the management.

We conducted testing of revenue related to sales to China OEM customers, using sampling techniques, by examining the relevant supporting documents including terms of control transfer in the sales contracts and customers' acceptance documents.

We conducted testing of revenue related to sales to overseas OEM customers, using sampling techniques, by examining the relevant supporting documents including sales orders, receipts and customs declaration forms.

In addition, we confirmed the balance of trade receivables with selected customers on a sampling basis, considering the nature and characteristics of those customers.

Furthermore, we also tested sales transactions recorded before and after the balance sheet date, using sampling techniques, by tracing to the relevant customers' acceptance documents to assess whether revenue was recognised in the correct reporting periods.

Based on our work performed, we considered that the revenue recognition of sales to China and overseas OEM customers can be supported by the audit evidence we have obtained.

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 IFRS Accounting Standards 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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2024

Section XI Financial Report

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

		As at 31 December	
	Note	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	20,342,951	18,136,589
Right-of-use assets	7	628,449	575,442
Land use rights	8	993,827	997,751
Intangible assets	9	416,344	340,443
Investments in a joint venture	10	49,880	44,564
Investments in associates	10	131,658	205,476
Financial assets at fair value through other comprehensive income	16	91,054	77,567
Deferred income tax assets	11	421,038	405,971
Long-term receivables	13	28,891	316,416
		23,104,092	21,100,219
Current assets			
Inventories	12	5,143,615	5,403,360
Receivables, prepayments and other current assets	13	8,553,924	6,109,367
Financial assets at fair value through profit or loss	16	5,741	7,396
Financial assets at fair value through other comprehensive income	16	1,314,918	1,138,128
Restricted cash	14	36,117	38,981
Held-to-maturity term deposits with original maturity of more than three months	14	5,130,806	4,742,813
Cash and cash equivalents	14	13,351,250	12,237,862
		33,536,371	29,677,907
Total assets		56,640,463	50,778,126
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	17	2,609,744	2,609,744
Share premium	18	9,680,392	9,680,392
Other reserves	18	4,128,883	3,723,080
Retained earnings	18	15,017,220	13,000,422
		31,436,239	29,013,638
Non-controlling interests		(14,860)	(14,712)
Total equity		31,421,379	28,998,926

Section XI Financial Report

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2023

		As at 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings	19	8,513,100	3,007,000
Lease liabilities	7	407,132	476,982
Long-term payables	20	59,287	64,473
Deferred income tax liabilities	11	411,645	199,324
Deferred income on government grants	21	725,122	671,050
		10,116,286	4,418,829
Current liabilities			
Trade and other payables	22	8,018,418	6,568,838
Contract liabilities	23	979,067	931,585
Current income tax liabilities		489,621	331,920
Borrowings	19	5,491,699	9,405,383
Current portion of lease liabilities	7	118,807	117,694
Current portion of long-term payables	20	5,186	4,951
		15,102,798	17,360,371
Total liabilities		25,219,084	21,779,200
Total equity and liabilities		56,640,463	50,778,126

The notes on pages 133 to 223 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 127 to 223 were approved by the Board of Directors on 15 March 2024 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 2023

		Year ended 31 December	
	Note	2023 RMB'000	2022 RMB'000
Revenue	24	33,160,997	28,098,754
Cost of sales	24,27	(21,840,391)	(18,901,092)
Gross profit		11,320,606	9,197,662
Selling expenses	27	(1,538,783)	(1,350,721)
Administrative expenses	27	(2,493,598)	(2,152,007)
Research and development expenses	27	(1,403,030)	(1,248,593)
Net impairment losses on financial assets	3.1	(17,110)	(4,093)
Other income	25	262,917	215,071
Other gains – net	26	247,968	925,649
Operating profit		6,378,970	5,582,968
Finance income	29	614,002	262,734
Finance costs	29	(288,320)	(288,122)
Finance income/(costs) – net		325,682	(25,388)
Share of net profit of joint venture and associate accounted for using the equity method	10	10,798	20,963
Profit before income tax		6,715,450	5,578,543
Income tax expense	30	(1,086,914)	(826,310)
Profit for the year		5,628,536	4,752,233
Profit is attributable to:			
Owners of the Company		5,628,684	4,755,033
Non-controlling interests		(148)	(2,800)
Profit for the year		5,628,536	4,752,233
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
– Basic and diluted earnings per share (expressed in RMB per share)	31	2.16	1.82

The notes on pages 133 to 223 are an integral part of these consolidated financial statements.

Section XI Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
Note		RMB'000	RMB'000
	Profit for the year	5,628,536	4,752,233
	Other comprehensive income:		
	Items that may be subsequently reclassified to profit or loss		
	Currency translation differences	18 45,980	544,957
	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 10,116	6,184
	Other comprehensive income for the year, net of tax	56,096	551,141
	Total comprehensive income for the year	5,684,632	5,303,374
	Total comprehensive income is attributable to:		
	Owners of the Company	5,684,780	5,306,174
	Non-controlling interests	(148)	(2,800)
	Total comprehensive income for the year	5,684,632	5,303,374

The notes on pages 133 to 223 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 2023

Note	Attributable to owners of the Company					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)	Total RMB'000		
Balance at 1 January 2022	2,609,744	9,680,392	2,770,394	11,256,678	26,317,208	(11,912)	26,305,296
Comprehensive income:							
Profit for the year	-	-	-	4,755,033	4,755,033	(2,800)	4,752,233
Other comprehensive income:							
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
Total comprehensive income	-	-	551,141	4,755,033	5,306,174	(2,800)	5,303,374
Total transaction with equity holders:							
Dividends relating to 2021	32	-	-	(2,609,744)	(2,609,744)	-	(2,609,744)
Total transaction with equity holders, recognised directly in equity							
	-	-	-	(2,609,744)	(2,609,744)	-	(2,609,744)
Appropriation to statutory reserve	18	-	-	401,545	(401,545)	-	-
Balance at 31 December 2022	<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>
Balance at 1 January 2023	<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>
Comprehensive income:							
Profit for the year	-	-	-	5,628,684	5,628,684	(148)	5,628,536
Other comprehensive income:							
Currency translation differences	-	-	45,980	-	45,980	-	45,980
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	10,116	-	10,116	-	10,116
Total comprehensive income	-	-	56,096	5,628,684	5,684,780	(148)	5,684,632
Total transaction with equity holders:							
Dividends relating to 2022	32	-	-	(3,262,179)	(3,262,179)	-	(3,262,179)
Total transaction with equity holders, recognised directly in equity							
	-	-	-	(3,262,179)	(3,262,179)	-	(3,262,179)
Appropriation to statutory reserve	18	-	-	349,707	(349,707)	-	-
Balance at 31 December 2023	<u>2,609,744</u>	<u>9,680,392</u>	<u>4,128,883</u>	<u>15,017,220</u>	<u>31,436,239</u>	<u>(14,860)</u>	<u>31,421,379</u>

The notes on pages 133 to 223 are an integral part of these consolidated financial statements.

Section XI Financial Report

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		Year ended 31 December	
	Note	2023 RMB'000	2022 RMB'000
Cash flow from operating activities			
Cash generated from operations	33(a)	8,224,586	6,235,281
Income tax paid		(744,844)	(644,944)
		7,479,742	5,590,337
Net cash generated from operating activities			
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment	33(b)	92,197	83,421
Proceeds from disposal of intangible assets and land use rights	33(b)	64	-
Purchases of property, plant and equipment		(4,314,703)	(3,061,091)
Purchases of intangible assets		(125,354)	(42,588)
Purchases of land use rights		(34,654)	(26,574)
Purchases of an associate		(20,000)	-
Purchase of disposal of financial assets at fair value through profit or loss – net		-	(16,364)
Interest received		199,821	262,734
Dividends received from investment in a joint venture		-	4,900
Decrease/(increase) in restricted cash		2,864	(36,947)
Decrease in held-to-maturity term deposits with original maturity of more than three months		6,912,112	-
Increase in held-to-maturity term deposits with original maturity of more than three months		(7,191,280)	(4,742,813)
Government grants received relating to property, plant and equipments	21	144,840	76,917
Repayment of loans by related parties		-	145,100
Proceeds from sale of an associate		30,000	-
		(4,304,093)	(7,353,305)
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		17,508,736	14,867,851
Repayments of borrowings		(15,885,157)	(13,043,226)
Dividends paid to Company's shareholders	18	(3,262,179)	(2,609,744)
Interest paid		(334,429)	(297,878)
Payment of lease liabilities and long-term payables		(307,316)	(152,886)
		(2,280,345)	(1,235,883)
Net cash used in financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		12,237,862	14,325,322
Exchange differences on cash and cash equivalents		218,084	911,391
		13,351,250	12,237,862

The notes on pages 133 to 223 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 2023

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 2023, 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 MATERIAL 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 IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies ordinance Cap. 622.

IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards, and
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

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 IFRS Accounting Standards 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 2023

2 SUMMARY OF MATERIAL 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:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8, and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

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.

- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12.

The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS12 issued in May 2023. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect (Note 30(f)).

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

(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 2023 reporting periods and have not been early adopted by the group:

- Classification of liabilities as current or non-current – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Non-current Liabilities with Covenants – Amendments to IAS 1
- Supplier Finance Arrangements – Amendments to IAS 7 and Amendments to IFRS 7, and
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and Amendments to IAS 28.

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 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

Inter-company transactions, balances, and unrealized gains on transactions between Group companies are eliminated. Unrealized 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.



Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (Continued)

2.2.2 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 2.9.

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (Continued)

2.2.3 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 2.9.



Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 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.

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 recognized in profit or loss.

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 recognized in profit or loss.

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 SEGMENT REPORTING

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

2.5 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. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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



Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 FOREIGN CURRENCY TRANSLATION (Continued)

(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 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 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 any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting 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 2.9).

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.

2.7 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 2.9). 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 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 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 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 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.

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

2.10.1 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.

2.10.2 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.



Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

2.10.3 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.

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.

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 INVESTMENTS AND FINANCIAL ASSETS (Continued)

2.10.3 Measurement (Continued)

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.

2.10.4 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.

2.11 INVENTORIES

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



Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 13 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.13 CASH AND CASH EQUIVALENTS

In the consolidated cash flows statements, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 TRADE AND OTHER PAYABLES

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

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

2.15 BORROWINGS

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

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

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 BORROWINGS (Continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

2.16 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.

2.17 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.



Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 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.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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 probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 EMPLOYEE BENEFITS

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term obligations

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, short-term paid absences, labour union running costs and employee education costs, etc. The short-term employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the income statement for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.18 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 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 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 (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.

2.20 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 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 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.

2.21 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets which are credited to the consolidated income statements on a straight-line basis over the expected useful lives of the related asset are included in non-current liabilities as deferred income.

For those cash injection received from government with clear instruction as capital injection from government authorities, they have been recorded as "other reserve".

2.22 DIVIDEND DISTRIBUTION

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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. Risk management is carried out by the senior management of the Group.

(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 uses a combination of foreign currency option, foreign currency swap contracts and forward foreign exchange contracts to control its exposure to foreign currency risk when necessary. In the current year, the Group did not use any above derivative financial instruments.

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.

As at 31 December 2023 and 2022, 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	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net profit increase/(decrease)		
USD		
– Strengthened 10%	(540,565)	(390,317)
– Weakened 10%	540,565	390,317

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future 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 2023 and 2022, 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	
	2023	2022
	RMB'000	RMB'000
Net profit increase/(decrease)		
– risen 50 basis points	(16,644)	(1,069)
– fallen 50 basis points	16,644	1,069

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, trade receivables, restricted cash, financial assets measured at fair value through comprehensive income, financial assets measured at fair value through profit or loss, other receivables and other assets.

(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.



Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

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 2023 and 2022, the Group has considered the impact of different macroeconomic scenarios and updated 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%)
GDP	2.60%-6.00%	-0.40%-4.00%	3.90%-5.00%

The key macroeconomic parameters used in each scenario in 2022 are listed below:

	Economic Scenarios		
	Benchmark (Weights: 80%)	Unfavourable (Weights: 10%)	Favourable (Weights: 10%)
GDP	2.10%-5.00%	-0.40%-4.00%	3.50%-6.00%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023 (on adoption of IFRS 9) was determined as follows for trade receivables:

At 31 December 2023	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	0.06%-0.46%	36.11%-88.36%	100.00%	100.00%	-
Gross carrying amount – trade receivables	7,503,484	2,907	4,318	5,359	7,516,068
Loss allowance – IFRS 9	10,827	1,600	4,318	5,359	22,104
Individually impaired receivables	1,322	5,397	3,706	215	10,640
Total loss allowance	12,149	6,997	8,024	5,574	32,744

As at 31 December 2023 and 31 December 2022, the loss allowance for other receivables are measured as lifetime expected credit losses:

	Stage 1		Stage 2		Stage 3		Total
	12 month expected losses (Combination)		Lifetime expected losses (No credit impairment)		Lifetime expected losses (Credit impairment has occurred)		
	Gross carrying amount	loss allowance	Gross carrying amount	loss allowance	Gross carrying amount	loss allowance	loss allowance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022	131,497	-	-	-	-	-	-
Additions	2,533	-	-	-	-	-	-
Reclassification	-	-	-	-	321,400	(4,984)	(4,984)
As at 31 December 2023	134,030	-	-	-	321,400	(4,984)	(4,984)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

As at 31 December 2023 and 31 December 2022, the loss allowance for long-term receivables are measured as lifetime expected credit losses:

	Stage 1		Stage 2		Stage 3		Total loss allowance RMB'000
	12 month expected losses (Combination)		Lifetime expected losses (No credit impairment)		Lifetime expected losses (Credit impairment has occurred)		
	Gross carrying amount RMB'000	loss allowance RMB'000	Gross carrying amount RMB'000	loss allowance RMB'000	Gross carrying amount RMB'000	loss allowance RMB'000	
As at 31 December 2022	-	-	-	-	321,400	(4,984)	(4,984)
Additions	28,891	-	-	-	-	-	-
Reclassification	-	-	-	-	(321,400)	4,984	4,984
As at 31 December 2023	28,891	-	-	-	-	-	-

The closing loss allowances for trade receivables and other receivables as at 31 December 2023 reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables		Long-term receivables	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
At 1 January	17,594	11,962	-	1,125	4,984	4,984
Increase/(Decrease) in loss allowance recognised in the income statement during the year	17,110	5,194	-	(1,101)	-	-
Currency translation difference	40	19	-	(19)	-	-
Write-off against uncollectible receivables	(2,000)	419	-	(5)	-	-
Reclassification	-	-	4,984	-	(4,984)	-
At 31 December	32,744	17,594	4,984	-	-	4,984

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Impairment losses		
– Movement in loss allowance for trade receivables and other receivables	17,256	5,698
– Reversal of previous impairment losses	(146)	(1,605)
Net impairment losses on financial assets	17,110	4,093

(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 RMB1,411,713,000 (2022: RMB1,223,091,000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023 and 2022:

	As at 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank credit		
Expiring within one year	35,391,578	20,427,261
Expiring beyond one year	14,805,759	13,572,258
	50,197,337	33,999,519

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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
As at 31 December 2023					
Borrowings, including interest payables	5,694,769	3,095,718	5,634,811	-	14,425,298
Long term payables	8,026	8,026	24,078	40,131	80,261
Lease Liabilities	133,750	94,651	239,915	112,875	581,191
Financial liabilities included in trade and other payables	7,145,237	-	-	-	7,145,237
	12,981,782	3,198,395	5,898,804	153,006	22,231,987
As at 31 December 2022					
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
	15,490,707	746,967	2,750,847	211,434	19,199,955

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Total borrowings (Note 19)	14,004,799	12,412,383
Total lease liabilities (Note 7)	525,939	594,676
Total long-term payables (Note 20)	64,473	69,424
Less: Cash and cash equivalents (Note 14)	(13,351,250)	(12,237,862)
Net liability	1,243,961	838,621
Total equity	31,421,379	28,998,926
Total capital	32,665,340	29,837,547
Net liability to equity ratio	3.81%	2.81%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023 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
As at 31 December 2023				
Assets				
Financial assets at fair value through profit or loss				
– equity instrument investment – held for trading (Note 16)	5,741	–	–	5,741
Financial assets at fair value through other comprehensive income				
– notes receivable at fair value (Note 16)	–	–	1,314,918	1,314,918
– unlisted equity securities (Note 16)	–	–	91,054	91,054
	<u>5,741</u>	<u>–</u>	<u>1,405,972</u>	<u>1,411,713</u>

As at 31 December 2022

Assets

Financial assets at fair value through profit or loss				
– equity instrument investment – held for trading (Note 16)	7,396	–	–	7,396
Financial assets at fair value through other comprehensive income				
– notes receivable at fair value (Note 16)	–	–	1,138,128	1,138,128
– unlisted equity securities (Note 16)	–	–	77,567	77,567
	<u>7,396</u>	<u>–</u>	<u>1,215,695</u>	<u>1,223,091</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023 and 31 December 2022:

	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 2022	1,138,128	77,567	1,215,695
Acquisitions	7,565,855	–	7,565,855
Disposals	(7,379,262)	–	(7,379,262)
Recognised in losses – net	(9,803)	–	(9,803)
Recognised in other comprehensive income	–	13,487	13,487
Closing balance as at 31 December 2023	1,314,918	91,054	1,405,972

(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 31/12/2023 <i>RMB'000</i>	Input			
			Name	Range/ weighted average	Relationship with fair value	Observable/ Unobservable
Non-current asset						
Equity Instrument at fair value through other comprehensive income	Market multiple method	91,054	Price to book ratio	1.6–3.2	Positively correlated	Unobservable
Current asset						
Note receivable at fair value through other comprehensive income	Income approach	1,314,918	Discount rate	1.50%	Negatively correlated	Unobservable
		1,405,972				

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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;
- Long-term payables.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Judgment of significant increase in credit risk

The Group makes the following judgments about significant increase in credit risk and credit impairment that have occurred when distinguishing between the different stages in which the financial instruments are held:

The Group's main criteria for determining a significant increase in credit risk are significant changes in one or more of the following indicators: the business environment in which the debtor operates, internal and external credit ratings, significant changes in actual or expected results of operations, and significant decreases in the value of collaterals or in the credit ratings of the guarantors that would affect the probability of default.

The Group's main criteria for determining that credit impairment has occurred are the fulfillment of one or more of the following conditions: significant financial difficulty of the debtor, other debt restructuring or probable bankruptcy.

5 SEGMENT INFORMATION

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and other equipment <i>RMB'000</i>	Tools, moulds, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	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 (<i>Note 33(b)</i>)	(35,328)	(94,037)	(41,735)	(15,998)	-	(187,098)
Depreciation (<i>Note 27</i>)	(388,121)	(1,044,832)	(442,538)	(279,297)	-	(2,154,788)
Impairment losses (<i>Note 27</i>)	(20,702)	(42,082)	(7,047)	-	(11,435)	(81,266)
Closing net book amount	<u>5,183,611</u>	<u>7,512,175</u>	<u>1,745,238</u>	<u>562,066</u>	<u>3,133,499</u>	<u>18,136,589</u>
At 31 December 2022						
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	<u>5,183,611</u>	<u>7,512,175</u>	<u>1,745,238</u>	<u>562,066</u>	<u>3,133,499</u>	<u>18,136,589</u>
At 1 January 2023	<u>5,183,611</u>	<u>7,512,175</u>	<u>1,745,238</u>	<u>562,066</u>	<u>3,133,499</u>	<u>18,136,589</u>
Currency translation difference	14,159	46,344	7,849	1,458	22,028	91,838
Transfer	312,652	1,361,548	411,863	4,159	(2,090,222)	-
Other additions	76,575	159,277	344,726	408,996	3,732,676	4,722,250
Disposals (<i>Note 33(b)</i>)	(7,987)	(111,648)	(49,328)	(14,707)	-	(183,670)
Depreciation (<i>Note 27</i>)	(424,694)	(1,090,824)	(469,994)	(320,100)	-	(2,305,612)
Impairment losses (<i>Note 27</i>)	(27,212)	(50,352)	(9,044)	-	(31,836)	(118,444)
Closing net book amount	<u>5,127,104</u>	<u>7,826,520</u>	<u>1,981,310</u>	<u>641,872</u>	<u>4,766,145</u>	<u>20,342,951</u>
At 31 December 2023						
Cost	8,433,877	16,155,765	4,712,223	2,527,742	4,809,986	36,639,593
Accumulated depreciation	(3,255,916)	(8,230,882)	(2,713,690)	(1,885,870)	-	(16,086,358)
Impairment	(50,857)	(98,363)	(17,223)	-	(43,841)	(210,284)
Net book amount	<u>5,127,104</u>	<u>7,826,520</u>	<u>1,981,310</u>	<u>641,872</u>	<u>4,766,145</u>	<u>20,342,951</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) As at 31 December 2023, the Group has no buildings still in the process of applying for the ownership certificates (31 December 2022: RMB327,454,000).
- (b) During the year, the Group has capitalised borrowing costs of RMB33,287,000 (2022: RMB10,908,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 2.17% (2022: 2.56%).
- (c) At 31 December 2023, the Group's land and above-ground buildings with the carrying amount RMB18,668,000 (31 December 2022: RMB19,162,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2022: HKD30,000,000).
- (d) In 2023, 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, a subsidiary of the Group, FYSAM Auto Decorative GmbH accounted for an impairment related to property, plant and equipment with the amount of RMB 118,444,000.

7 LEASES

- (a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Right-of-use assets		
Buildings	522,086	482,748
Equipment	18,014	14,831
Vehicles	29,186	33,543
Others	59,163	44,320
	628,449	575,442
Lease liabilities		
Current	118,807	117,694
Non-current	407,132	476,982
	525,939	594,676

- (i) Additions to the right-of-use assets during the year ended at 31 December 2023 financial year were RMB215,287,000 (31 December 2022: RMB120,632,000).
- (ii) FYSAM Auto Decorative GmbH, a subsidiary of the Group, recognised an impairment loss of RMB28,590,000 related to the right-of-use assets in 2023 (2022: RMB24,237,000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

7 LEASES (Continued)

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Notes	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets			
Buildings		111,111	100,226
Equipment		3,305	1,717
Vehicles		12,336	10,443
Others		14,644	10,312
		141,396	122,698
Interest expense (included in finance cost)	29	15,266	14,674
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	27	56,739	53,314
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	5,923	2,309
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	27	-	-

The total cash outflow for leases in 2023 was RMB361,717,000 (2022: RMB208,509,000).

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

8 LAND USE RIGHTS

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

		As at 31 December	
		2023	2022
		RMB'000	RMB'000
	<i>Notes</i>		
Opening net book value		997,751	995,398
Currency translation difference		214	1,248
Additions		34,654	26,574
Disposals		(12,655)	–
Amortisation charges (<i>Note 27</i>)		(26,137)	(25,469)
		993,827	997,751
Amortisation of land use rights(included in cost of sales, selling expenses and administrative expenses)	27	26,137	25,469
Cash outflow for addition of land use rights		34,654	26,574

- (a) At December 31, 2023, the Group's land and above-ground buildings with the carrying amount RMB18,668,000 (31 December 2022: RMB19,162,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2022: HKD30,000,000).
- (b) As at 31 December 2023, the Group was still in the process of applying for the ownership certificates of land use rights with aggregated carrying amounts of approximately RMB16,296,000 (31 December 2022: nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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
Year ended 31 December 2022							
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>
At 31 December 2022							
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>
Year ended 31 December 2023							
Opening net book amount	154,941	854	17,055	52,729	108,001	6,863	340,443
Currency translation difference	-	-	273	210	-	-	483
Additions	-	225	-	34,299	-	90,830	125,354
Disposals	-	-	-	(64)	-	-	(64)
Amortisation (Note 27)	-	(344)	(3,545)	(28,808)	(7,562)	(9,613)	(49,872)
Closing net book amount	<u>154,941</u>	<u>735</u>	<u>13,783</u>	<u>58,366</u>	<u>100,439</u>	<u>88,080</u>	<u>416,344</u>
At 31 December 2023							
Cost	154,941	34,170	72,005	278,237	147,983	115,912	803,248
Accumulated amortisation	-	(33,435)	(58,222)	(219,871)	(47,544)	(27,832)	(386,904)
Net book amount	<u>154,941</u>	<u>735</u>	<u>13,783</u>	<u>58,366</u>	<u>100,439</u>	<u>88,080</u>	<u>416,344</u>

During the year, the Group had research and development cost amounted to RMB1,403,030,000 which was all expensed (2022: RMB1,248,593,000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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:

	As at 31 December	
	2023 RMB'000	2022 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
	154,941	154,941

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	
	2023	2022
Gross profit margin	17%-20%	19%-25%
Discount rate	15%	16%
Budgeted growth rate	11%-14%	12%-16%
Long-term growth rate	2%	2%

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

	Year ended 31 December	
	2023	2022
Gross profit margin	38%	34%
Discount rate	15%	15%
Budgeted growth rate	3%	3%
Long-term growth rate	2%	2%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

9 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill (Continued)

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

	Year ended 31 December	
	2023	2022
Gross profit margin	39%	41%
Discount rate	17%	17%
Budgeted growth rate	5%	5%
Long-term growth rate	2%	2%

As at 31 December 2023 and 2022, 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 basis used to determine the value assigned to the long-term growth rate is the forecast price indices over the budget year from where the main business are located.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Share of net assets, unlisted		
– Joint venture	49,880	44,564
– Associates	131,658	205,476
	181,538	250,040
Associates and joint venture		
Beginning of the year	250,040	228,824
– Additions	20,000	–
– Disposals	(65,000)	–
– Impairment losses	(29,146)	–
– Share of results	5,644	26,116
– Dividends received	–	(4,900)
End of the year	181,538	250,040

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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
			2023 RMB'000	2022 RMB'000	
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包装(福州)有限公司)	Fuzhou, the PRC, 2005	49.00%	49,880	44,564	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 2023	65,144	15,264	101,476	5,316	49,880
Year ended 31 December 2022	55,650	11,086	99,026	5,986	44,564

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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
			2023	2022	
			RMB'000	RMB'000	
Advanced Glass Materials Innovation Center (Anhui) Co., Ltd. (玻璃新材料创新中心(安徽)有限公司)	Hefei, the PRC, 2020	11.24%	20,061	-	R & D, Production and sales of automotive glass and automotive parts
Jinken Glass Industry Shuangliao Co., Ltd. (金鑿玻璃工業雙遼有限公司)	Shuangliao, the PRC, 2003	25.00%	-	97,090	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	25.00%	111,597	108,386	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
Year ended 31 December 2023					
Advanced Glass Materials Innovation Center (Anhui) Co., Ltd.	37,004	21,249	2,010	56	15,755
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	117,183	5,586	8,225	3,212	111,597
	154,187	26,835	10,235	3,268	127,352
Year ended 31 December 2022					
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
	221,510	20,693	119,753	20,130	200,817

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

11 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Deferred income tax assets:	1,067,530	1,090,327
Offset against deferred income tax liabilities	<u>(646,492)</u>	<u>(684,356)</u>
Net deferred income tax assets	<u>421,038</u>	<u>405,971</u>
Deferred income tax liabilities:	1,058,137	883,680
Offset against deferred income tax assets	<u>(646,492)</u>	<u>(684,356)</u>
Net deferred income tax liabilities	<u>411,645</u>	<u>199,324</u>

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 2022	314,575	8,002	95,212	323,818	103,839	244,881	1,090,327
Recognised in the consolidated income statements	(244,627)	3,915	20,974	74,717	10,565	102,877	(31,579)
Impact in exchange rate change	<u>2,945</u>	<u>9</u>	<u>1,603</u>	<u>209</u>	<u>35</u>	<u>3,981</u>	<u>8,782</u>
At 31 December 2023	<u>72,893</u>	<u>11,926</u>	<u>117,789</u>	<u>398,744</u>	<u>114,439</u>	<u>351,739</u>	<u>1,067,530</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023, the Group did not recognise deferred income tax assets of RMB628,358,000 (2022: RMB592,156,000) in respect of the accumulated losses of RMB2,392,288,000 (2022: RMB2,275,753,000), loss amounting to RMB211,736,000 will be expired from the year of 2024 to year 2028 (2022: RMB200,771,000 will be expired from the year of 2023 to year 2027), loss amounting to RMB2,180,552,000 will be continued to be deducted after the year of 2028 (2022: RMB2,074,982,000 will be continued to be deducted after the year of 2027).
- (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>
At 31 December 2022	127,383	606,609	149,688	883,680
Recognised in the consolidated income statements	143,504	18,328	472	162,304
Recognised in the consolidated comprehensive income	-	-	3,371	3,371
Impact in exchange rate change	-	8,625	157	8,782
At 31 December 2023	270,887	633,562	153,688	1,058,137

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

12 INVENTORIES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Raw materials	1,800,665	2,072,203
Work in process	394,486	459,106
Finished goods	2,935,822	2,835,477
Costs of fulfilling contracts	80,780	92,083
Low value consumables	27,896	23,503
	5,239,649	5,482,372
Less: write-down to net realisable value	(96,034)	(79,012)
	5,143,615	5,403,360

The cost of inventory recognised as expense and included in 'cost of sales' amounted to RMB11,385,484,000 for the year ended 31 December 2023 (2022: RMB9,660,253,000) (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	
	2023 RMB'000	2022 RMB'000
At beginning of the year	79,012	47,723
Write-down to net realisable value (Note 27)	29,135	34,802
Impact in exchange rate change	2,485	1,938
Write-off of inventory provision	(14,598)	(5,451)
	96,034	79,012

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

13 RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables due from third parties (a):		
Notes receivables	368,529	204,612
Accounts receivables	7,160,224	5,274,948
Less: loss allowance	(32,744)	(17,594)
	<u>7,496,009</u>	<u>5,461,966</u>
Trade receivables – net		
Other receivables due from third parties (b):		
Other receivables	472,088	448,974
Less: loss allowance	(4,984)	(4,984)
	<u>467,104</u>	<u>443,990</u>
Other receivables – net		
Amount due from related parties (Note 36(c)):		
Other receivables (Note 36(c) (i))	12,233	3,923
Prepayments (Note 36(c) (ii))	–	1,798
	<u>12,233</u>	<u>5,721</u>
Others:		
Prepayments to suppliers	316,530	234,137
Prepaid income tax and value-added tax recoverable and refundable	290,939	279,969
	<u>607,469</u>	<u>514,106</u>
Receivables, prepayments and other current assets	<u>8,582,815</u>	<u>6,425,783</u>
Less: long-term receivables non-current portion of amount due from the third parties (i)	(28,891)	(316,416)
Receivables, prepayments and other current assets – net	<u>8,553,924</u>	<u>6,109,367</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

13 RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

The non-current portion of amount due from the third parties is related to the following matters

- (i) Fuyao (Hong Kong) Limited, a wholly-owned subsidiary of the Company, disposed the equity interest in an associate, Jinken Glass Industry Shuangliao Co., Ltd., in the current year. According to the equity transfer agreement, the first instalment of the equity transfer payment was collected during the reporting period with the remaining consideration of RMB35,000,000 (Present value of RMB 28,891,000) will be recovered during the following five years.
- (ii) The Company sold 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. At the end of this reporting period, this amount will mature within one year, therefore its book value was listed in "receivables, prepayments, and other current assets".

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 2023, the Company recognised the corresponding loss allowance of RMB4,984,000 according to the expected credit loss rate within lifetime.

As at 31 December 2023 and 2022, the carrying amounts of trade receivables, notes receivables and other receivables are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	5,105,710	3,770,290
USD	1,807,938	1,519,175
EUR	784,855	528,389
Others	314,571	114,603
	8,013,074	5,932,457

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023 and 2022 was as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables – gross		
Within 3 months	7,119,077	5,080,868
3 to 6 months	328,001	345,459
6 to 12 months	58,136	35,937
Over 1 year	23,539	17,296
	7,528,753	5,479,560

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Consideration receivable from disposal of a subsidiary (i)	350,291	321,400
Interest receivables	2,983	2,983
Payments on behalf of others	19,147	38,746
Receivables from disposal of assets	44,318	30,000
Deposits and guarantees	9,859	13,019
Others	45,490	42,826
	472,088	448,974

- (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 2023 and 2022, 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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	
	2023 RMB'000	2022 RMB'000
Cash at bank and on hand	18,518,173	17,019,656
Less: restricted cash (b)	(36,117)	(38,981)
Less: held-to-maturity term deposits with original maturity of more than three months (c)	(5,130,806)	(4,742,813)
Cash and cash equivalents (a)	13,351,250	12,237,862

(a) Cash and cash equivalents are denominated in:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
RMB	6,159,001	6,005,439
USD	6,566,522	4,624,901
EUR	561,413	369,950
HKD	859	1,185,994
JPY	29,991	42,321
KRW	2,132	2,226
RBL	25,003	7,031
Others	6,329	-
	13,351,250	12,237,862

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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	
	2023	2022
	RMB'000	RMB'000
Deposits held for the guarantee to letter of credit	34,119	37,003
Deposits held for civil air defense projects etc.	1,998	1,978
	36,117	38,981

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Restricted cash is denominated in:		
EUR	34,094	36,946
RMB	1,978	2,011
USD	25	24
RBL	20	-
	36,117	38,981

(c) Held-to-maturity term deposits with original maturity of more than three months are denominated in:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
USD	5,130,806	4,742,813

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

15 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As at 31 December	
Financial assets	Notes	2023 RMB'000	2022 RMB'000
Financial assets at amortised cost			
Trade and other receivables	13	7,946,455	5,593,463
Long-term receivables	13(i)	28,891	316,416
Cash and cash equivalents	14	13,351,250	12,237,862
Held-to-maturity term deposits with original maturity of more than three months	14	5,130,806	4,742,813
Restricted cash	14	36,117	38,981
Financial assets at fair value through other comprehensive income (FVOCI)	16	1,405,972	1,215,695
Financial assets at fair value through profit or loss (FVPL)	16	5,741	7,396
		27,905,232	24,152,626

		As at 31 December	
Financial liabilities	Notes	2023 RMB'000	2022 RMB'000
Liabilities at amortised cost			
Trade and other payables	22	7,145,236	5,835,649
Borrowings	19	14,004,799	12,412,383
Lease liabilities	7	525,939	594,676
Long-term payables	20	64,473	69,424
		21,740,447	18,912,132

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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	
	2023 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss		
Current assets		
– Equity instrument investment – held for trading (a)	5,741	7,396
Financial assets at fair value through other comprehensive income		
Non-current assets		
– Unlisted equity securities (b)	91,054	77,567
Current assets		
– Note receivable (c)	1,314,918	1,138,128

- (a) The held-for-trading equity instrument investment was acquired through the distribution of debt restructuring from a customer. As at 31 December 2023, 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 2023, fair value losses on equity investments at FVPL recognised in other losses was RMB1,655,000 (2022: fair value losses on equity investments at FVPL recognised in other losses was RMB2,033,000).

- (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 2023, fair value gains on equity investments at FVOCI recognised in other comprehensive income was RMB13,487,000 (2022: fair value gains on equity investments at FVOCI recognised in other comprehensive income was RMB8,246,000).

- (c) In 2023, the Group discounted and endorsed part of its bank acceptance notes and derecognised such note receivables according to its daily fund management needs. Therefore, the Group classified and presented these derecognised bank acceptance notes as financial asset at fair value through other comprehensive income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

17 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of A shares <i>Thousands</i>	As at 31 December		Total share capital <i>RMB'000</i>	
		Number of H shares <i>Thousands</i>	A shares of RMB1 each <i>RMB'000</i>		H shares of RMB1 each <i>RMB'000</i>
At 1 January 2023 and 31 December 2023	<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 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>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

18 SHARE PREMIUM, OTHER RESERVES AND RETAINED EARNINGS

	Share premium RMB'000	Retained Earnings RMB'000	Statutory reserves RMB'000	Other reserves		Total RMB'000	
				Currency translation differences RMB'000	Financial assets at FVOCI RMB'000		
Balance at 1 January 2022	9,680,392	11,256,678	3,180,340	(430,305)	-	20,359	2,770,394
Appropriate to statutory reserves (a)	-	(401,545)	401,545	-	-	-	401,545
Profit for the year	-	4,755,033	-	-	-	-	-
Dividends	-	(2,609,744)	-	-	-	-	-
Currency translation differences	-	-	-	544,957	-	-	544,957
Changes in fair value	-	-	-	-	6,184	-	6,184
At 31 December 2022	9,680,392	13,000,422	3,581,885	114,652	6,184	20,359	3,723,080
Balance at 1 January 2023	9,680,392	13,000,422	3,581,885	114,652	6,184	20,359	3,723,080
Appropriate to statutory reserves (a)	-	(349,707)	349,707	-	-	-	349,707
Profit for the year	-	5,628,684	-	-	-	-	-
Dividends	-	(3,262,179)	-	-	-	-	-
Currency translation differences	-	-	-	45,980	-	-	45,980
Changes in fair value	-	-	-	-	10,116	-	10,116
At 31 December 2023	9,680,392	15,017,220	3,931,592	160,632	16,300	20,359	4,128,883

- (a) In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

19 BORROWINGS

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Non-current:		
– Bank borrowings – unsecured	8,591,210	3,801,745
– Medium-term notes (a)	–	1,227,764
Less: current portion of non-current borrowings	(78,110)	(2,022,509)
	8,513,100	3,007,000
Current:		
– Bank borrowings – unsecured	5,413,589	6,076,528
– Super short-term commercial papers (b)	–	1,306,346
Add: current portion of non-current borrowings	78,110	2,022,509
	5,491,699	9,405,383
Total borrowings	14,004,799	12,412,383

The Company issued medium-term notes and 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 terms of the medium-term notes and super short-term commercial paper are analysed as follows:

(a) Medium-term note

On 13 February 2020, the Company issued a medium-term note. The note was repaid on February 2023, details is as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'000)
20 Fuyao (Pandemic Control Bond) MTN001	13 February 2020	3 years	3.19%	600,000

On 20 April 2020, the Company issued a medium-term note. The note was repaid on April 2023, detail is as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'000)
20 Fuyao MTN002	20 April 2020	3 years	2.75%	600,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

19 BORROWINGS (Continued)

(b) Super short-term commercial papers

In 2022, the Company issued super short-term commercial paper. The super short-term commercial paper was repaid in 2023, detail is as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'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	
	2023 RMB'000	2022 RMB'000
Borrowings: RMB	14,004,799	12,412,383

(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	
	2023 RMB'000	2022 RMB'000
Within 1 year	5,485,936	9,688,393
Over 1 year	8,518,863	2,723,990
	14,004,799	12,412,383

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

19 BORROWINGS (Continued)

(e) The maturity of borrowings is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Within 1 year	5,491,699	9,405,383
Between 1 and 2 years	2,927,400	550,000
Between 2 and 5 years	5,585,700	2,457,000
	14,004,799	12,412,383

(f) The weighted average effective interest rates per annum for the year ended 31 December 2023 were as follows:

	As at 31 December	
	2023	2022
Borrowings:		
RMB	2.18%	2.46%
USD	—	1.06%

Interest rates of bank borrowings are reset 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			
	2023 RMB'000		2022 RMB'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Bank borrowings	8,513,100	8,328,602	3,007,000	2,937,528

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

19 BORROWINGS (Continued)

- (h) The Group has complied with the financial covenants of its borrowing during the year ended 31 December 2023 and 31 December 2022.

20 Long-term payables

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Payables for proceeds from transfer of mining rights	64,473	69,424
Less: Current portion of long-term payables	(5,186)	(4,951)
	59,287	64,473

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 2023 (2022: RMB8,026,000).

21 DEFERRED INCOME ON GOVERNMENT GRANTS

	For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
At beginning of the year	671,050	677,683
Government grants received during the year (a)	144,840	76,917
Credited to the consolidated income statements (Note 25)	(90,918)	(84,538)
Currency translation difference	150	988
At end of the year	725,122	671,050

- (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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

22 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Notes payable	2,825,387	2,128,400
Trade payables to third parties	2,667,000	1,964,981
Staff salaries and welfare payables	816,373	660,390
Payables for purchasing of property, plant and equipment	401,002	434,944
Payables for freight fee	142,812	209,451
Amount due to related parties (Note 36(c))	83,410	94,626
Accrued taxes other than income tax	56,809	72,799
Other payables and accruals	1,025,625	1,003,247
	8,018,418	6,568,838

As at 31 December 2023 and 2022, 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, except for staff salaries and welfare payables, and accrued taxes other than income tax, are denominated in the following currencies:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
RMB	5,758,753	4,809,875
USD	881,995	695,427
EUR	186,308	202,276
KRW	293,490	111,893
RBL	15,475	8,885
Others	9,215	7,293
	7,145,236	5,835,649

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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	
	2023 RMB'000	2022 RMB'000
Within 3 months	4,331,315	3,174,644
3 to 6 months	1,140,546	892,795
6 to 12 months	9,972	16,202
Over 1 year	10,554	9,740
	5,492,387	4,093,381

23 CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Contract liabilities – Automotive glasses sales contracts	979,067	931,585

- (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 2023 RMB'000	Year ended 31 December 2022 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period- automotive glasses sales contracts	392,591	369,163
Revenue recognised from performance obligations satisfied in previous periods	–	–

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

24 REVENUE AND COST OF SALES

- (a) Revenue and cost of sales by product

	Year ended 31 December			
	2023		2022	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Automotive glasses	29,887,354	20,900,615	25,591,273	18,156,715
Float glasses	5,708,192	4,141,016	4,536,714	3,379,381
Others	3,786,958	2,934,807	3,015,880	2,336,990
	39,382,504	27,976,438	33,143,867	23,873,086
Less: Intra-Group sales	(6,221,507)	(6,136,047)	(5,045,113)	(4,971,994)
	33,160,997	21,840,391	28,098,754	18,901,092

- (b) Revenue by geographical areas

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
The PRC	18,274,368	15,197,008
– Domestic OEM	16,302,160	13,667,932
Other countries	14,886,629	12,901,746
– Overseas OEM	8,574,346	6,810,978
	33,160,997	28,098,754

- (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 2023 is RMB80,780,000 (As at 31 December 2022: RMB92,083,000) (Note 12).

- (d) The Group had rental income amounted to RMB33,787,000 for the year ended 31 December 2023. In addition to rental income, the Group derives revenue from the transfer of goods at a point in time.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

25 OTHER INCOME

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Government grants		
– relating to income and expense (a)	171,999	130,533
– relating to assets (Note 21)	90,918	84,538
	262,917	215,071

- (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 – NET

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Foreign exchange gains -net	368,696	1,045,238
Net gain on claims	38,622	59,671
Loss on disposal of property, plant and equipment, right-of-use assets and intangible assets (Note 33(b))	(100,068)	(127,947)
Impairment losses on joint venture investments	(29,146)	–
Discount cost of the disposals of notes receivable at fair value through other comprehensive income	(9,803)	(12,841)
Donation	(6,782)	(1,396)
Loss on disposal of long-term equity investments	(6,508)	–
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments (Note 33(a))	(1,655)	(2,033)
Losses on financial assets at fair value through profit or loss and derivative financial instruments	–	(16,364)
Abnormal losses due to natural disaster	–	(21,126)
Others	(5,388)	2,447
	247,968	925,649

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

27 EXPENSES BY NATURE

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Raw materials and consumables used	11,409,907	10,490,040
Changes in inventories of finished goods and work in progress	(24,423)	(829,787)
Employee benefit expenses (Note 28)	6,146,424	5,224,691
Utilities	2,685,855	2,374,966
Depreciation of property, plant and equipment (Note 6)	2,305,612	2,154,788
Logistics and storage expenses	1,197,102	1,228,349
Packing expenses	624,261	551,153
Repair and maintenance fee	275,285	293,146
Taxes and levies	248,702	231,405
Insurance expenses	155,981	142,983
Depreciation of rights-of-use assets (Note 7)	141,396	122,698
After-sale service expenses	134,273	97,851
Fire safety and environmental protection expenses	131,564	116,681
Impairment losses on property, plant and equipment (Note 6)	118,444	81,266
Inventory scrap loss	100,594	86,625
Travel expenses	78,610	46,727
Lease expenses (Note 7)	62,662	55,623
Amortisation of intangible assets (Note 9)	49,872	42,677
Write-down of inventories to the net realisable value (Note 12)	29,135	34,802
Impairment losses on right-of-use assets (Note 33(a))	28,590	24,237
Amortisation of land use rights (Note 8)	26,137	25,469
Auditor's remuneration		
– Audit services	6,528	6,321
– Non-audit services	–	–
Others	1,343,291	1,049,702
	27,275,802	23,652,413

28 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries, wages and bonuses	5,122,237	4,331,506
Pension, social security costs and housing benefits	822,486	717,883
Other welfare for employee	201,701	175,302
	6,146,424	5,224,691

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 RMB7,546,000 (2022: RMB7,944,000) 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 (2022: two directors) whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining three(2022: three) individuals during the year are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Basic salaries and allowances	3,501	3,446
Bonuses	6,757	6,131
Contribution to pension scheme	233	236
Others	59	54
	10,550	9,867

The emoluments fell within the following bands:

Emoluments bands (in HK dollar)	Year ended 31 December	
	2023	2022
HKD2,000,001 to HKD2,500,000	–	1
HKD2,500,001 to HKD3,000,000	2	1
HKD3,000,001 to HKD3,500,000	–	–
HKD3,500,001 to HKD4,000,000	–	–
HKD4,000,001 to HKD4,500,000	–	–
HKD4,500,001 to HKD5,000,000	–	–
HKD5,000,001 to HKD5,500,000	–	–
HKD5,500,001 to HKD6,000,000	–	1
HKD6,000,001 to HKD6,500,000	–	–
HKD6,500,001 to HKD7,000,000	1	–
	3	3

During the year, no director, supervisor or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

29 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Finance income:		
Interest income	614,002	262,734
Finance costs:		
Interest on borrowings	(306,341)	(281,601)
Interest on lease liabilities (<i>Note 7(b)</i>)	(15,266)	(14,674)
Less: borrowing costs capitalised (<i>Note 6</i>)	33,287	10,908
Interest expense on borrowings	(288,320)	(285,367)
Amortisation of transaction costs in respect of issuance of corporate bond, medium note and super short-term commercial papers	–	(2,755)
	(288,320)	(288,122)
Finance income/(costs) – net	325,682	(25,388)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

30 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Current income tax		
– Current period	1,056,653	870,923
– Adjustments for current tax of prior periods	(163,622)	(89,333)
Deferred income tax (Note 11)	193,883	44,720
Income tax expense	1,086,914	826,310

(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 25.82% and 27% for different subsidiaries respectively. (1)Fuyao North America Glass Industry Co., Ltd. calculates profits tax at a rate of 27% (2022: 27%) on the estimated assessable profits during the year ended 31 December 2023. (2)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 (2022: 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). (3)Fuyao Automotive North America, INC and Fuyao Asset Management A, LLC, jointly file the federal income tax and state tax, at a federal tax rate of 21%, a consolidated state tax rate of 6%, and the total rate of 27%, in accordance with the relevant United States tax laws. 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(2022:Nil).

(d) Russia profits tax

Applicable profit tax rate of Russia is 20%. In the current year, 50% of the estimated taxable profit for the current year is used to make up the accumulated losses, and the remaining 50% is subject to profit tax at the applicable profit tax rate. (2022: 50% of the estimated taxable profit for the current year is used to make up the accumulated losses, and the remaining 50% is subject to profit tax at the applicable profit tax rate.)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

30 INCOME TAX EXPENSE (Continued)

(e) Germany profits tax

Applicable profit tax rate of Germany is 28.43% and 28.78%. In the current year, Fuyao Europe GmbH, apart from the other subsidiaries, has achieved a profit, and paid profit tax at the applicable tax rate after deducting part of the deductible losses of previous years from the taxable income (2022: paid profit tax at the applicable tax rate after deducting part of the deductible losses of previous years from the taxable income). No profit tax has been provided by the other subsidiaries due to accumulated losses (2022: Nil).

(f) OECD Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory tax rates of 16.50% to 32.56% applicable as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit for the year before income tax	6,715,450	5,578,543
Tax calculated at the applicable income tax rate	1,691,807	1,454,626
Tax effect of:		
Preferential income tax rate	(616,963)	(478,996)
Expenses not deductible for tax purpose	6,910	6,746
Income not subject to income tax	(1,411)	(6,529)
Unrecognised deductible temporary differences	45,109	31,889
Unrecognised tax losses carried forward	99,711	108,990
Utilisation of previously unrecognised tax losses	(56,244)	(216,208)
Utilisation of previously unrecognised deductible temporary differences	(1,633)	(3,914)
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	83,250	39,689
Adjustments for current income tax of prior periods after tax annual filing	(163,622)	(89,333)
Income tax expense	1,086,914	826,310

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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	
	2023	2022
Net profit attributable to the equity holders of the Company (RMB'000)	5,628,684	4,755,033
Weighted average number of ordinary shares in issue (thousand)	2,609,744	2,609,744
Basic earnings per share (RMB)	2.16	1.82

- (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 2023 and 2022 were RMB3,262,179,000 (2022 annual dividend) and RMB2,609,744,000 (2021 annual dividend), respectively. On 15 March 2024, the board of directors of the the Company proposed to distribute a dividend of RMB3,392,667,000 at a retained earnings of RMB13.0 per 10 shares (tax inclusive) as at 31 December 2023. 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	
	2023 RMB'000	2022 RMB'000
Final dividend of RMB12.5 (2022: RMB10) per 10 ordinary shares (tax inclusive)	3,262,179	2,609,744

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

33 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Profit for the year before income tax	6,715,450	5,578,543
Adjustments for:		
Depreciation of property, plant and equipment (Note 6)	2,305,612	2,154,788
Depreciation of right-of-use assets (Note 7)	141,396	122,698
Amortisation of land use rights (Note 8)	26,137	25,469
Amortisation of intangible assets (Note 9)	49,872	42,677
Losses on disposals of property, plant and equipment, right-of-use assets and intangible assets (Note 26)	100,068	127,947
Losses on financial assets at fair value through profit or loss and derivative financial instruments (Note 26)	–	16,364
Losses on disposals of long-term equity investments	6,508	–
Amortisation of deferred income on government grants (Note 21 and 25)	(90,918)	(84,538)
Interest income	(386,949)	(262,734)
Interest expenses (Note 29)	288,320	288,122
Exchange gains on cash and cash equivalents	(218,084)	(911,391)
Share of results of a joint venture and an associate	(10,798)	(20,963)
Loss allowance for trade and other receivables (Note 3.1)	17,110	4,093
Inventory write-down to net realisable value (Note 12)	29,135	34,802
Impairment losses on property, plant and equipment (Note 6)	118,444	81,266
Impairment losses on right-of-use assets (Note 7)	28,590	24,237
Impairment losses on investments in associates (Note 10)	29,146	–
Change in fair value of financial assets (Note 26)	1,655	2,033
	9,150,694	7,223,413
Changes in working capital:		
Increase in inventories	230,610	(1,107,601)
Increase in receivables, prepayments and other current assets	(2,780,290)	(1,158,638)
Increase in trade and other payables	1,623,572	1,278,107
Cash generated from operations	8,224,586	6,235,281

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Net book amount (Note 6, 7, 8 and 9)	206,647	195,192
Receivables from disposal of assets (Note 13(b))	(14,318)	16,176
Loss on disposal (Note 26)	(100,068)	(127,947)
Proceeds from disposal	92,261	83,421

- (c) Net debt reconciliation

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	13,351,250	12,237,862
Financial assets at fair value through profit or loss	5,741	7,396
Lease liabilities	(525,939)	(594,676)
Long-term payables	(64,473)	(69,424)
Borrowings – repayable within one year	(5,491,699)	(9,405,383)
Borrowings – repayable after one year	(8,513,100)	(3,007,000)
Net debt	(1,238,220)	(831,225)
Cash and cash equivalents	13,351,250	12,237,862
Financial assets at fair value through profit or loss	5,741	7,396
Gross debt – fixed interest rates	(10,514,639)	(12,776,290)
Gross debt – variable interest rates	(4,080,572)	(300,193)
Net debt	(1,238,220)	(831,225)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023	12,237,862	7,396	(9,405,383)	(3,007,000)	(594,676)	(69,424)	(831,225)
Cash flows	895,304	-	3,843,581	(5,467,160)	299,290	8,026	(420,959)
Additions	-	-	-	-	(193,821)	-	(193,821)
Changes in fair values	-	(1,655)	-	-	-	-	(1,655)
Reclassification	-	-	(78,110)	78,110	-	-	-
Other changes	-	-	-	-	-	-	-
- Interest expense	-	-	(130,988)	(172,278)	(15,266)	(3,075)	(321,607)
- Interest payments	-	-	279,201	55,228	-	-	334,429
Foreign exchange adjustments	218,084	-	-	-	(21,466)	-	196,618
Net debt as at 31 December 2023	<u>13,351,250</u>	<u>5,741</u>	<u>(5,491,699)</u>	<u>(8,513,100)</u>	<u>(525,939)</u>	<u>(64,473)</u>	<u>(1,238,220)</u>

34 CONTINGENCIES

As at 31 December 2023, the Group did not have any significant contingent liabilities.

35 COMMITMENTS

(a) Capital commitments

As at 31 December 2023, capital expenditure contracted for, but not yet incurred is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Authorised and contracted for:		
- Property, plant and equipment	<u>2,158,960</u>	<u>2,185,979</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023 and 2022, and balances arising from related party transactions as at 31 December 2023 and 2022.

(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. (金壘玻璃工業雙遼有限公司)	Sale of associate by the Group for less than 12 months
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)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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	
	2023 RMB'000	2022 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	4,552	4,482
Jinken Glass Industry Shuangliao Co., Ltd.	597	2,176
	<u>5,149</u>	<u>6,658</u>

(ii) Purchase of goods and services

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	151,501	313,488
Tri-Wall Packaging (Fuzhou) Co., Ltd.	85,921	88,728
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	4,203	4,511
China National Automobile (Beijing)	364	56
Fujian Fuyao Automotive Glass Distribution Co., Ltd. *	200	80
	<u>242,189</u>	<u>406,863</u>

(iii) Rental income

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	216	241

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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	
	2023 RMB'000	2022 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd. *	143,153	-

(v) Interest on lease liabilities as a lessee

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Global Cosmos German Co., Ltd. *	1,970	2,086
Fujian Yaohua Industrial Village Development Co., Ltd.*	1,202	2,359
Fujian Fuyao Automotive Glass Distribution Co., Ltd. *	843	1,093
	4,015	5,538

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

36 RELATED PARTY TRANSACTIONS (Continued)

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

(vi) Key management compensation

	Year ended 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and short-term employee benefits	31,230	29,505
Post-employment benefits	451	444
	31,681	29,949

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

(c) Balances with related parties

Amount due from related parties

	As at 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other receivables (i)	12,233	3,923
Prepayments (ii)	–	1,798
	12,233	5,721

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

36 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued):

(i) Other receivables:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Fuyao Group Beijing Futong Safety Glass Co., Ltd	10,251	3,208
Fujian Fuyao Automotive Glass Distribution Co., Ltd.	1,500	–
Tri-Wall Packaging (Fuzhou) Co., Ltd.	474	313
Jinken Glass Industry Shuangliao Co., Ltd.	8	148
Global Cosmos German Co., Ltd.	–	254
	12,233	3,923

(ii) Prepayment:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	–	1,798

Amount due to related parties

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade payables (iii)	30,600	60,328
Other payables (iv)	52,810	34,298
Lease liabilities (v)	185,056	233,172
	268,466	327,798

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

36 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued):

(iii) Trade payables:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	21,168	52,473
Tri-Wall Packaging (Fuzhou) Co., Ltd.	9,432	7,855
	30,600	60,328

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
- Within 3 months	30,600	60,116
- From 3 months to 6 months	-	212
	30,600	60,328

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

36 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued):

(iv) Other payables to related parties:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	52,808	33,587
Fujian Fuyao Automotive Glass Distribution Co., Ltd.	2	711
	52,810	34,298

(v) Lease liabilities to related parties:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Global Cosmos German Co., Ltd.	136,593	147,570
Fujian Yaohua Industrial Village Development Co., Ltd.	32,823	64,444
Fujian Fuyao Automotive Glass Distribution Co., Ltd.	15,640	21,158
	185,056	233,172

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

37 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 December 2023 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 (Hong Kong) 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

37 SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2023 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
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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

37 SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2023 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
Fuyao (Xiamen) Precision Corp. (福耀(廈門)精密製造有限公司)	Limited liability	PRC, June 2003	USD15,000	78%	Indirect	Production and sales of mold, automotive parts and plastic products
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
Fuyao Michigan Holding C, LLC (福耀密歇根控股有限責任公司)	-	U.S.A., June 2023	-	100%	Indirect	Investment holding company
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
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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

37 SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2023 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
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)	Limited liability	PRC, August 2021	RMB10,000	100%	Direct	R & D, Production and sales of automotive glass and automotive parts
Fuyao Aluminum Parts (Changchun) Co., Ltd. (福耀鋁件(長春)有限公司) (d)	Limited liability	PRC, February 2023	RMB100,000	100%	Direct	Production and sales of refined aluminium

Notes: (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 2023, 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 2023, 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 2023, the registered capital has not been fully paid.

(d) On 16 February 2023, the parent company established Fuyao Aluminum Parts (Changchun) Co., Ltd. with registered capital of RMB100,000,000. As of 31 December 2023, the registered capital has been fully paid.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

38 EVENTS OCCURRING AFTER THE REPORTING PERIOD

According to the eleventh board resolution of the third session on 15 March 2024, the "2023 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 RMB13.0 (including tax) for every 10 shares, and a total dividend of RMB3,392,667,000 (including tax). 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	
		2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		886,927	908,738
Right-of-use assets		169,473	66,144
Land use rights		29,963	30,980
Intangible assets		104,797	98,585
Investments in subsidiaries		9,651,482	8,319,655
Financial assets at fair value through other comprehensive income		91,054	77,567
Investments in a joint venture		26,189	26,189
Investments in an associate		20,000	–
Long-term receivables		3,211,928	4,094,309
		14,191,813	13,622,167
Current assets			
Inventories		509,504	555,964
Receivables, prepayments and other current assets		19,997,639	18,922,111
Financial assets at fair value through other comprehensive income		1,049,455	818,580
Cash and cash equivalents		12,752,563	11,707,085
		34,309,161	32,003,740
Total assets		48,500,974	45,625,907

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Balance Sheet of the Company (continued)

		As at 31 December	
	Note	2023 RMB'000	2022 RMB'000
EQUITY			
Share capital		2,609,744	2,609,744
Share premium		9,680,391	9,680,391
Other reserves	(Note(b))	3,947,892	3,588,069
Retained earnings	(Note(b))	7,708,600	7,828,790
Total equity		23,946,627	23,706,994
LIABILITIES			
Non-current liabilities			
Borrowings		7,543,100	2,511,500
Lease liabilities		1,657	35,387
Deferred income tax liabilities		195,292	119,476
Deferred income on government grants		56,009	28,880
		7,796,058	2,695,243
Current liabilities			
Trade and other payables		14,703,587	13,861,308
Contract liabilities		248,987	114,784
Current income tax liabilities		44,758	12,849
Borrowings		1,727,073	5,201,720
Current portion of Lease liabilities		33,884	33,009
		16,758,289	19,223,670
Total liabilities		24,554,347	21,918,913
Total equity and liabilities		48,500,974	45,625,907

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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>
Balance at 1 January 2022	6,825,715	3,180,340
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)	–
At 31 December 2022	7,828,790	3,588,069
Balance at 1 January 2023	7,828,790	3,588,069
Profit for the year	3,491,696	–
Changes in the fair value of financial assets at fair value through other comprehensive income	–	10,116
Appropriation to statutory reserve	(349,707)	349,707
Dividends relating to 2022	(3,262,179)	–
At 31 December 2023	7,708,600	3,947,892

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023 are set out as follows:

	Director's fee <i>RMB'000</i>	Salaries, wages <i>RMB'000</i>	Discretionary Bonuses (a) <i>RMB'000</i>	Pension, housing fund allowances, medical insurance and other social insurance <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors						
Mr. Cho Tak Wong	–	6,446	960	22	–	7,428
Mr. Tso Fai	–	1,440	8	59	–	1,507
Mr. Ye Shu	–	1,079	1,751	130	–	2,960
Mr. Chen Xiangming	–	843	1,300	85	–	2,228
Non-executive directors						
Mr. Wu Shinong	90	–	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	–	90
Independent non-executive directors						
Ms. Cheung Kit Man Alison	270	–	–	–	–	270
Mr. Liu Jing	150	–	–	–	–	150
Mr. Qu Wenzhou	150	–	–	–	–	150
Supervisors						
Mr. Bai Zhaohua	–	832	960	–	–	1,792
Mr. Chen Mingsen	150	–	–	–	–	150
Mr. Ma Weihua	150	–	–	–	–	150
	1,050	10,640	4,979	296	–	16,965

Section XI Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 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
Executive directors						
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
Non-executive directors						
Mr. Wu Shinong	90	-	-	-	-	90
Ms. Zhu Dezhen	90	-	-	-	-	90
Independent non-executive directors						
Ms. Cheung Kit Man Alison	257	-	-	-	-	257
Mr. Liu Jing	150	-	-	-	-	150
Mr. Qu Wenzhou	150	-	-	-	-	150
Supervisors						
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 2023

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

Directors and supervisors' emoluments (Continued)

(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	Year ended December 31				
	2023	2022	2021	2020	2019
Revenue	33,160,997	28,098,754	23,603,063	19,906,593	21,103,878
Cost of sales	21,840,391	18,901,092	15,352,658	12,870,070	14,009,882
Gross profit	11,320,606	9,197,662	8,250,405	7,036,523	7,093,996
Distribution costs and selling expenses	1,538,783	1,350,721	1,150,992	1,051,202	1,064,953
Administrative expenses	2,493,598	2,152,007	1,953,523	1,908,980	2,000,266
Research and development expenses	1,403,030	1,248,593	997,203	815,579	813,130
Other income	262,917	215,071	242,338	352,821	181,754
Other gains/(loss) – net	247,968	925,649	-444,134	-445,914	7,875
Net impairment losses on financial assets	17,110	4,093	5,436	5,987	20,512
Operating profit	6,378,970	5,582,968	3,941,455	3,161,682	3,384,764
Finance income	614,002	262,734	168,838	290,290	284,421
Finance costs	288,320	288,122	318,941	354,752	432,680
Finance (income)/costs – net	-325,682	25,388	150,103	64,462	148,259
Share of net profit of joint venture and associate accounted for using the equity method	10,798	20,963	26,975	11,844	-5,932
Profit before income tax	6,715,450	5,578,543	3,818,327	3,109,064	3,230,573
Income tax expense	1,086,914	826,310	675,861	511,144	332,956
Profit for the year	5,628,536	4,752,233	3,142,466	2,597,920	2,897,617
Profit is attributable to:					
Owners of the Company	5,628,684	4,755,033	3,145,652	2,600,245	2,897,868
Non-controlling interests	-148	-2,800	-3,186	-2,325	-251
Profit for the year	5,628,536	4,752,233	3,142,466	2,597,920	2,897,617
Basic earnings per share	2.16	1.82	1.23	1.04	1.16
Diluted earnings per share	2.16	1.82	1.23	1.04	1.16

Section XII Business Performance Highlights for the Previous Five Years

CONSOLIDATED BALANCE SHEET:

Unit: '000 Currency: RMB

Items	As at December 31				
	2023	2022	2021	2020	2019
Total assets	56,640,463	50,778,126	44,796,085	38,435,332	38,838,517
Total liabilities	25,219,084	21,779,200	18,490,789	16,832,718	17,457,199
Total equity	31,421,379	28,998,926	26,305,296	21,602,614	21,381,318

