



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

2016

Annual Report



Important Notice

- I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.
- II. All the directors of the Company attended the meeting of the Board of Directors.
- III. PricewaterhouseCoopers has issued the audit report with unqualified opinions to the Company.
- IV. Cho Tak Wong, the person-in-charge of the Company, Chen Xiangming, the person-in-charge of accounting and Lin Xuejuan, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this annual report.
- V. Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during 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 2016 recorded in the consolidated financial statement, which was prepared in accordance with the China Accounting Standards for Business Enterprises, amounted to RMB3,144,227,339. As audited by PricewaterhouseCoopers, the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2016 recorded in the consolidated financial statement, which was prepared in accordance with the International Financial Reporting Standards, amounted to RMB3,143,448,624.

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit recorded in the Company's financial statements for the year of 2016, which was prepared in accordance with the China Accounting Standards for Business Enterprises, amounted to RMB2,912,406,740; adding the undistributed profits of RMB2,675,718,730 at the beginning of the year of 2016, deducting the distributed profits of RMB1,881,463,149 for the year of 2015, and after appropriating 10% of the profit to the statutory surplus reserve of RMB291,240,674 on the basis of the net profit recorded by the Company for the year of 2016, the profits distributable to shareholders as of December 31, 2016 amounted to RMB3,415,421,647.

The profit distribution plan for the year of 2016 proposed by the Company is as follows: cash dividends of RMB7.5 per 10 shares (tax inclusive) are distributed based on total share capital of 2,508,617,532 shares of the Company as of December 31, 2016 for holders of A shares and holders of H shares whose names appear on the register of members on the record date of the declaration of cash dividend for the year of 2016 and dividend of RMB1,881,463,149 in total is distributed. The undistributed profit balance of the Company will be settled and carried forward to the following year. The Company will not carry out bonus sharing and conversion of capital reserve into share capital for the year of 2016. The cash dividend distributed by the Company is denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

- VI. Risks disclaimer of the forward-looking statements

The forward-looking statements in this annual report such as future plans and development strategies do not constitute an actual commitment of the Company to investors. Investors should be aware of the investment risks.
- VII. Any appropriation of fund by the controlling shareholder and its related parties for non-operating purpose
No
- VIII. Any provision of external guarantee in violation of the stipulated decision making procedure
No
- IX. Material risk alert
No
- X. Others
No

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Section I Chairman's Statement

Dear shareholders,

I am very grateful for your long-term support and care to Fuyao Glass. Entrusted by the Board of Directors, I am pleased to present the 2016 annual report for your review.

In 2016, the global economy recovered from its profound adjustment, but the situation was still severe. As the first year of "the 13th Five-Year Plan", 2016 saw transformation in China's economy and unexpected substantial growth in the automobile industry. 2016 marked the critical year when Fuyao, which served a "supporting role" in the automobile industry, gained satisfactory achievements, affirmed its future development and work focus, as well as entered the global market to enhance its brand reputation and influence. The automotive glass plant in the US was completed for operation, and hence float glass was successfully produced. North American and Russian subsidiaries were also in the track of positive development, while European subsidiaries were in the course of preparation in full swing as well.

In 2016, the Company made great efforts to promote the project "Industrial Internet at Fuyao" by integrating the informatization and industrialization and continual improvement, with an aim to build FPS (Fuyao production system) and continue to create value for customers. Abundant accomplishments were successfully achieved with both production & sales volumes and profits hitting a record high. During the Reporting Period, the Company achieved a revenue of RMB16,621,336,000, representing a year-on-year growth of 22.45%, a profit before income tax of RMB3,918,847,000, representing a year-on-year growth of 28.82%, and a profit for the year attributable to the equity holders of the Company of RMB3,143,449,000, representing a year-on-year growth of 20.68%.

As we have entered a new year, we shall continue moving forward instead of being complacent with what we have achieved. With new hopes coming in the new year, I believe that there will also be new challenges. I will prepare for the new challenges with a positive attitude to optimize interests for the shareholders, to increase the happiness index of all employees in all aspects,

Section II Definitions

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

DEFINITIONS OF COMMON TERMS

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors	the board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
RMB, RMB1,000, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 1,000 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, the lawful currency in circulation in the PRC
PVB	polyvinyl butyral
OEM, ancillary business	automotive glass and services used in new vehicles of automobile factories
ARG, spare parts and component business	used in aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
laminated glass	automotive safety glass made by two or more than two layers of automobile float glass sticking with a layer or various layers of PVB
float glass	the glass produced by applying float technology
Reporting Period	for the twelve months ended December 31, 2016
Latest Practicable Date	February 27, 2017, 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 PERSON AND CONTACT METHODS

Secretary to the Board of Directors

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

III. BASIC INFORMATION

Registered address of the Company	Fuyao Industrial Zone, Rongqiao Economic & Technological Development Zone, Fuqing City, Fujian Province
Postal code of the registered address of the Company	350301
Office address of the Company	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Postal code of the office address of the Company	350301
Website of the Company	http://www.fuyaogroup.com
E-mail	600660@fuyaogroup.com
Principal place of business in Hong Kong	Room 1907, Shun Tak Centre, West Tower, 200 Connaught Road Central, Central, Hong Kong
Custodian of A shares	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Business address	Level 3, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited
Business address	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Section III Corporate Profile and Principal Financial Indicators

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Media selected by the Company for information disclosure	Shanghai Securities News, China Securities Journal and Security Times
Website designated by CSRC for publishing the annual report of the Company	http://www.sse.com.cn
Website designated by Hong Kong Stock Exchange for publishing the annual report of the Company	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

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

VI. OTHER RELEVANT INFORMATION

Auditors engaged by the Company (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
	Office address	11th Floor, PricewaterhouseCoopers Center, 202 Hu Bin Road, Shanghai
Auditors engaged by Company (overseas)	Name of signing accountants	Wang Xiao, Yang Xudong
	Name	PricewaterhouseCoopers
Compliance adviser performing the duty of continuous supervision during the Reporting Period	Office address	24th Floor, Prince's Building, Central, Hong Kong
	Name	Shenwan Hongyuan Capital (H.K.) Limited – a compliance adviser engaged in accordance with the requirements of the Hong Kong Listing Rules
	Office address	Level 19, 28 Hennessy Road, Hong Kong
	Name of signing executive of the compliance adviser	Ting Kay Loong, Willis
	Term of continuous supervision	From March 31, 2015 to the distribution date of 2016 Annual Report

Section III Corporate Profile and Principal Financial Indicators

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

(I) Principal accounting data

Principal accounting data	2016	Increase/ decrease of the Reporting Period as compared with the corresponding period last year (%)		
		2015	2014	2013
Revenue	16,621,336	13,573,495	22.45	12,928,182
Profit for the year attributable to the equity holders of the Company	3,143,449	2,604,697	20.68	2,219,245
Profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss	3,069,187	2,610,572	17.57	2,175,130
Net cash generated from operating activities	3,531,738	3,000,346	17.71	3,130,576
	At the end of 2016	At the end of 2015	Increase/ decrease at the end of the Reporting Period as compared with the end of the corresponding period last year (%)	At the end of 2014
Equity attributable to holders of the Company	18,047,500	16,423,288	9.89	8,813,646
Total assets	29,879,729	24,841,632	20.28	16,890,937

Notes: In particular, "Profit for the year attributable to the equity holders of the Company net of non-recurring profit or loss" is 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	2016	2015	Increase/ decrease of the Reporting Period as compared with the corresponding period last year (%)	2014
Basic earnings per share (RMB/股)	1.25	1.10	13.64	1.11
Diluted earnings per share (RMB/股)	1.25	1.10	13.64	1.11
			Increased by 1.56 percentage	
Return on equity (%)	17.42	15.86		

Section III Corporate Profile and Principal Financial Indicators

VIII. DISCREPANCIES IN FINANCIAL DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

(I) Discrepancies between net profit and net assets attributable to shareholders of the Listed Company in the financial report disclosed under the International Financial Reporting Standards and under the China Accounting Standards for Business Enterprises

Unit: '000 CNY, RMB

	Net profit		Net assets attributable to the shareholders of the Listed Company	
	Amount for the Reporting Period	Amount for the corresponding period of previous year	Amount at the end of the Reporting Period	Amount at the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	3,144,227	2,605,380	18,033,618	16,408,627
Adjustments to items and amounts in accordance with the International Financial Reporting Standards: Reversal of impairment for buildings and land use rights and the discrepancies between corresponding depreciation and amortization	-778	-683	13,882	14,661
Prepared in accordance with the International Financial Reporting Standards	3,143,449	2,604,697	18,047,500	16,423,288

Section III Corporate Profile and Principal Financial Indicators

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

In addition to prepare the financial statements for H shares in accordance with the International Financial Reporting Standards, the Company, as an A-shares company listed on the SSE, is also required to prepare financial statements in accordance with the China Accounting Standards for Business Enterprises. There are discrepancies between the financial statements prepared by the Company in accordance with International Financial Reporting Standards and those prepared by the Company in accordance with the China Accounting ng

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)

人民币 : RMB

Non-recurring profit or loss items	Amount for the year of 2016	Amount for the year of 2015	Amount for the year of 2014
Profit or loss from disposal of non-current assets	-17,315,990	-65,685,144	-10,426,630
Government subsidies recorded under current profit and loss, other than those closely related to the normal business operation of the Company and subject to a fixed amount or quantity under certain standard required by national policies	89,542,263	97,835,999	46,017,082
Profit or loss from changes in fair value of held-for-trading financial assets and trading financial liabilities, and investment gain	10,426,630		

Section IV Summary of the Business of the Company

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

(I) Principal business and business model

The principal business of the Company is the provision of total solution of safety glass for various transportation vehicles, including the provision of design, manufacture, sales and service for automotive grade float glass and automotive glass and locomotive glass. The business model of the Company is globalized research and development, design, manufacture, distribution and after-sales service. The Company adheres to its brand development strategies of keeping technology leadership and fast responding to the market, so as to work with its customers on product design, manufacturing and service providing. The Company creates values for its customers through the concentration on improving industrial ecological chain and reacting to the ever-changing demand of customers systematically, professionally and rapidly.

The following table sets forth details of revenue by products for the specified period:

Unit: '000 CNY; RMB

Business	2016		2015		2014	
	Revenue	Percentage (%)	Revenue	Percentage (%)	Revenue	Percentage (%)
Automotive glass	16,145,326	97.14	13,137,757	96.79	12,439,377	96.22
Float glass	2,729,026	16.42	2,485,240	18.31	2,129,748	16.47
Others	404,319	2.43	461,607	3.40	486,969	3.77
Less: Intragroup elimination	-2,657,335	-15.99	-2,511,109	-18.50	-2,127,912	-16.46
Total	16,621,336	100.00	13,573,495	100.00	12,928,182	100.00

(II) Industry Overview

The automobile production volume in China increased from 18,264,700 units in 2010 to 28,118,800 units in 2016, with a compound annual growth rate of 7.46% and a year-on-year growth of 14.46%. It has ranked first in the world for eight consecutive years. The Chinese automobile industry has transformed into a stage of quality-dominated development from that of speed-dominated development.

The average growth speed of the global automobile industry maintained stable at approximately 3.5% to 4.5%, as is evident from the average growth speed of automobile in the international market for years. However, the growth speed of the automobile industry in developing countries is higher than that in developed countries and their proportion in the global automobile industry is constantly increasing with an expanding impact.

According to the data of OICA as of 2014, the global automobile ownership was 1.236 billion units. Economic sentiments, climate changes and road conditions are the major factors affecting the total amount of aftermarket automotive glass. The stable growth in automobile ownership and frequent extreme weathers brought a rapid growth in the demand of aftermarket automotive glass.

In the medium and long term, the popularity of automobiles in China will still be relatively low. According to the data as of 2015, the automotive ownership had reached approximately 12 units, approximately 18 units and over 80 units for every one hundred people in China, in the world and the US, respectively. Along with the development of Chinese economy, the enhancement of urbanization level, the growth of residents' income, the increase in consumption ability and the improvement of road infrastructure, it will constantly bring driving forces to the growth of the Chinese automobile market. There is still much room for development in the Chinese automobile industry and the industry of provision of accessories for automobiles.

Section IV Summary of the Business of the Company

The promotion of new-energy, intelligent and energy-saving automobiles facilitates economic transformation and upgrading; along with the development of application technology, the automotive glass has developed towards environmental protection, energy conservation, intelligence and integration with constantly increasing additional value. The leading position of Fuyao in the industry in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

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

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

II. DETAILS OF SUBSTANTIAL CHANGES OF THE PRINCIPAL ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

There were no substantial changes of the principal assets of the Company during the Reporting Period.

Including: overseas assets of RMB13.038 billion, accounting for 43.64% of the total assets.

III. ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

1. Fuyao, a company with strong sense of social responsibility and mission, has gained trust from global automobile manufacturers, users, suppliers and investors by fulfilling its supporting role in the world's automobile industry of contributing transparent and delicate glass to the world. Brand is the core competitiveness of Fuyao.
2. Fuyao has trained a team with devotion, passion, unity and aggressiveness which has competitive advantages in operation, management, technology, quality, technique, design and IT in the glass industry.
3. The standardized, transparent and international financial system and the ERP-based process optimization system of Fuyao lay a solid foundation for the digitalization and intelligentization of "Industry 4.0".
4. Fuyao has built a relatively comprehensive industrial ecology, such as sand mineral resources, quality float technology, research and development of process and equipment, global layout of R&D centers and supply chain network; unique staff training and related mechanism, all of which are the systematic industrial advantages like a "city moat".
5. Development strategy in a professional, devoted and concentrated manner enables the Company to react promptly to market changes and provide Total Solution of automotive glass for customers.

Section V Report of the Board of Directors

I. BUSINESS REVIEW

(I) Review on the business of the Company

The principal business of the Company is the provision of Total Solution of safety glass for various transportation vehicles, including the provision of design, manufacture, sales and service for automotive grade float glass and automotive glass and locomotive glass. The business model of the Company is globalized research and development, design, manufacture, distribution and after-sales service. The Company adheres to its brand development strategies of technological advancement and quick response, work with its customers on the provision of design, manufacture and services, and focuses on improving industrial ecological chain, with a view to reacting to the ever-changing demand of customers in a systematical, professional and rapid manner and creating values for customers. Fuyao is a green development enterprise with a strong sense of social responsibility and pursuing safe, environmental protection, integrity and “Win-Win” policies.

During the Reporting Period, the Company realized a revenue of RMB16,621,336,000, representing an increase of 22.45% as compared with the corresponding period last year; realized a profit for the year attributable to the equity holders of the Company of RMB3,143,449,000, representing an increase of 20.68% as compared with the corresponding period last year, or an increase of 26.46% as compared with the corresponding period of 2015 if the effect of the one-off write-back of the income tax preferential of RMB19,000,000 for China Western Development for the years 2011 to 2014 was excluded in 2015; realized a profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss (prepared in accordance with the China Accounting Standards for Business Enterprises), of RMB3,069,187,000, representing an increase of 17.57% as compared with the corresponding period last year; realized net profit ratio of 18.90%, representing a decrease of 0.31 percentage point as compared with the corresponding period last year; and realized basic earnings per share of RMB1.25, representing an increase of 13.64% as compared with the corresponding period last year. For details, please refer to “I. Management Discussion and Analysis” of “Section VI Management Discussion and Analysis”.

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

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

Financial indicator	Year ended December 31		
	2016	2015	2014
Revenue growth ⁽¹⁾	22.45%	4.99%	12.41%
Net profit growth ⁽²⁾	20.53%	17.59%	15.66%
Gross profit margin ⁽³⁾	41.95%	41.51%	41.48%
Net profit margin before interest and taxes ⁽⁴⁾	24.53%	23.82%	22.27%
Net profit margin ⁽⁵⁾	18.90%	19.21%	17.15%
Return on equity ⁽⁶⁾	17.42%	15.86%	25.18%
Return on total assets ⁽⁷⁾	10.52%	10.49%	13.12%

(1) Calculated by dividing revenue for the period by revenue for the previous period, minus one and multiplied by 100%; (2) Calculated by dividing net profit for the period by net profit for the previous period, minus one and multiplied by 100%; (3) Calculated by dividing gross profit by revenue for the period and multiplied by 100%; (4) Calculated by dividing the sum of net profit before interest and income tax expenses by revenue for the period and multiplied by 100%; (5) Calculated by dividing net profit by revenue for the period and multiplied by 100%; (6) Calculated by dividing net profit attributable to the equity holders of the Company for the period by equity attributable to the holders of the Company as at the end of the period and multiplied by 100%; (7) Calculated by dividing net profit for the period by total assets as at the end of the period and multiplied by 100%.

Section V Report of the Board of Directors

The above table shows that the Company possesses highly competitive management and operation ability to continuously create values for shareholders. As the financial indicators of the Company have been stable and the scale of revenue has increased steadily, the profitability has constantly increased. The revenue in 2016 represented a year-on-year increase of 22.45% while the net profit represented a year-on-year increase of 20.53%, or a year-on-year increase of 26.29% if the effect of the one-off write-back of the income tax preferential of RMB119,000,000 for China Western Development for the years 2011 to 2014 were excluded in 2015. For description of other information, please refer to "Section IV Summary of the Business of the Company" and "Section VI Management Discussion and Analysis".

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

(I) Industry landscape and development trend

The automobile production volume in China increased from 18,264,700 units in 2010 to 28,118,800 units in 2016, with a compound annual growth rate of 7.46% and a year-on-year growth of 14.46%. It has ranked first in the world for eight consecutive years. The Chinese automobile industry has transformed into a stage of quality-dominated development from that of speed-dominated development.


The average growth speed of the global automobile industry maintained stable at approximately 3.5% to 4.5%, as is evident from the average growth speed of automobile in the international market for years. However, the growth speed of the automobile industry in developing countries is higher than that in developed countries and their proportion in the global automobile industry is constantly increasing with an expanding impact.

According to the data of OICA as of 2014, the global automobile ownership was 1.236 billion units. Economic sentiments, climate changes and road conditions are the major factors affecting the total amount of aftermarket automotive glass. The stable growth in automobile ownership and frequent extreme weathers brought a rapid growth in the demand of aftermarket automotive glass.

In the medium and long term, the popularity of automobiles in China will still be relatively low. According to the data as of 2015, the automotive ownership had reached approximately 12 units, approximately 18 units and over 80 units for every one hundred people in China, in the world and the US, respectively. Along with the development of Chinese economy, the enhancement of urbanization level, the growth of residents' income, the increase in consumption ability and the improvement of road infrastructure, it will constantly bring driving forces to the growth of the Chinese automobile market. There is still much room for development in the Chinese automobile industry and the industry of provision of accessories for automobiles.

The promotion of new-energy, intelligent and energy-saving automobiles facilitates economic transformation and upgrading; along with the development of application technology, the automotive glass has developed towards environmental protection, energy conservation, intelligence and integration with constantly increasing additional value. The leading position of Fuyao in the industry in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

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

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

Section V Report of the Board of Directors

(II) Development strategies of the Company

Development strategies of the Company:

Leveraging the culture and talents of techniques and innovation, the Company has systemically established a sustainable competitive advantage 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 in the trend of glass integration and provide more comprehensive product solutions and services to automobile factories and ARG users.
- 2) to operate globally. The Company is conducting transformation and upgrade in respect of organization structure, culture, investment and talents to improve the ability to provide services and create values for customers worldwide.
- 3) to promote big data and intelligent manufacturing, enlarge the involvement of informatization and automatization, advance the lean manufacturing in depth, establish Fuyao integrated collaboration platform as IT-driven business process, and build FPS (Fuyao production system) with high quality and low cost.
- 4) to capture the brand establishment, quality assurance and match high-quality products with its brand to make “Fuyao” an international brand representing the standard of the industry and establish a worldwide common research and development platform while achieving the short-term operation goals and long-term strategic development.
- 5) to further comprehensively promote management system with intensive capital and budget to ensure the maximization of capital efficiency.
- 6) to be people-oriented, strengthen the training and growth of all staff, enhance the cohesion of Fuyao staff and improve staff growth and happiness index to make Fuyao a great company.

Opportunities of the Company:

- 1) The development of intelligent and environment-friendly automobiles provides new development opportunities for Fuyao. With the transformation from product operation to brand operation featured by integrated Total Solution, the Company’s value has been on the rise continuously.
- 2) The PRC economic structure will become more reasonable, differences between regions will be reduced, poverty gap will be narrowed down, buying power will be increased and the economy will be developed healthily and stably, which provide new opportunities for the development of the Company.
- 3) The reasonable capital structure, sufficient cash flow, stable finance and exceptional operating ability of the Company have laid an optimal foundation for leap development of the Company.
- 4) Benefiting from the solid foundation of the Company’s informatization, the Company can quickly adapt to changes in external environment in the informatization era.
- 5) The successful operation of the US Fuyao automotive glass plant and the additional investment in such plant can provide faster and more valuable services to North American customers and the largest market in the world. The Russian branch can better serve both local and European markets. The German plant has started its construction, and hence the globalization of Fuyao system has been taking shape.

Section V Report of the Board of Directors

Challenges of the Company:

- 1) The transformation and upgrade of the global economy and the increase in uncertainties will bring challenges to the international development of the Company.
- 2) Under the “new normal”, the adjustment to the PRC’s economic structure and the slowdown in the growth speed will bring challenges to the domestic development of the Company.
- 3) In the informatization era, customers have growing requirements for the response speed, and propose new requirements for the improvement of collaborative ability of the Company.
- 4) New requirements for the intelligentization of glass are raised by the intelligentization of automobiles; new requirements for the automobile window solutions are raised by the improvement of technology.
- 5) The globalized operation and development of the Company brings challenges to the Company on, among others things, adapting to cultural differences, laws and matching of human resources in the country it operates.

(III) Operating plan

For the year of 2017, the domestic and overseas economic environment will become more complex and volatile. Coupled with the slowdown in growth of automobile sales, Fuyao will face greater challenges. As such, the Company will accelerate the design and development of new products and constantly increase its market share with a persistent orientation towards the demand of internal and external customers. Based on the scientific decision-making and transparency of big data management and the pragmatic technological foundation of human and machine, the full-value chain operations management will be realized. The production volume, sales volume and other principal operating indicators of automotive glass are expected to maintain steady growth for the year of 2017.

Major tasks of the Company to be carried out in 2017:

In 2017, the Company will carry out 10 tasks focusing on “one center” and “two goals”:

- One center: all for continuously creating values for customers.
- Two goals: externally, enhancing customer satisfaction in all aspects; internally, continuously making efforts in management innovation and technical innovation to stimulate the creativity of all Fuyao staff and enhance their happiness index.
 1. Implement quality management by all staff throughout the whole process, set zero tolerance for quality incidents and hidden troubles and equally level up our human resources, machines, materials, regulatory compliance, environmental protection and testing to create benefits with quality;
 2. Continue to deepen the business reform, create a new ecological business model for the operation of the Company that is driven by customers, and set up the market department, with an aim to enable a professional and international marketing model and team to take shape; strengthen strategic communication and technical exchanges with customers to further enhance Fuyao’s capability of synchronous design and market value transformation;
 3. Further promote the Group’s international strategy and capture for more market share to make the US and Russian subsidiaries that have already commenced operation better serve their respective target customers;

Section V Report of the Board of Directors

4. Adopt a new model of lean exploration in cost reduction and efficiency improvement to further enhance the full value chain of customers and suppliers, and make customized investment in strategic suppliers and VAVE (Value Analysis and Value Engineering);
5. Build a global supply chain ecosystem and increase the investment in and renovation of float glass, thus providing more effective support for the procurement and supply of bulk materials and safeguarding the market competitiveness;
6. Deepen the research and development of new technologies, techniques and equipment and explore and develop a management mechanism that is more market-oriented, more pragmatic, closer to customers and better enhance Fuyao's core competitiveness, thus laying the foundation for higher value-added products;
7. Promote intelligent manufacturing and lean management to achieve lower operating costs, higher efficiency and better operation and product quality; and enter into a new flexible manufacturing model by continuously reviewing, upgrading, planning and connecting projects that have already been commenced;
8. Further implement the management reform, streamline administration and delegate more power to lower levels, as well as clarify rights and obligations for a more effective orientation, assessment and incentive mechanism, thus creating conditions for all Fuyao staff to contribute knowledge values and intelligences;
9. Invest more in the Lean Management Institute for staff training and improvement to enable all staff to take part in transformation and upgrading, which results in a positive interaction between the growth of staff and the development of the Company;
10. More consciously reinforce the development of intellectual property rights, standards, brands, culture, compliance to better join in international competitions, thus laying a good foundation for sustainable development.

In order to achieve the operating plan and work targets for the year of 2017, the Company expects the funding demand throughout 2017 will be RMB22.123 billion, of which the operating expenditure, capital expenditure and the expenditure of payment of cash dividends will be RMB16.050 billion, RMB4.192 billion and RMB1.881 billion, respectively. Such plan will be achieved through collection of sales payment, acceleration of inventory turnovers and management of receivables, utilization of balance funds and debt financing such as borrowings from financial institutions or issuance of debentures. In 2017, for the purpose of enhancing the security and effectiveness of capital management, the Company will continuously enhance the comprehensive budget management, strictly control the exchange risks and optimize the capital structure.

The abovementioned plan is an operating plan based on the current economic conditions, market conditions and the position of the Company. The operating plan therefore does not constitute a performance guarantee or actual guarantee by the Company to the investors. Investors shall maintain a sufficient awareness of the risks and gain an understanding of the differences between an operating plan and a performance guarantee.

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(IV) Potential risks

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

Most assets of the Company are located in the PRC and approximately 65% of the income is from the business in the PRC. Therefore, the operating results, financial status and prospects of the Company are influenced by the changes in economy, politics, policies and laws. As the Chinese economy is in the stage of transformation and upgrade, the business of the Company in the PRC might also be affected. Hence, the Company will enhance the innovation on technology while strengthening the aftersales maintenance market, and consolidate and ensure stable and healthy development of the PRC market while taking advantage of globalized operation.

2. Risks of the industry development

The global automobile industry is in the process of transformation and upgrade. Competition in the

Section V Report of the Board of Directors

4. Risks of cost fluctuation

The costs of automotive glass of the Company mainly comprise raw materials of float glass, PVB raw materials, labor, electricity and manufacturing costs, while the costs of float glass mainly include costs of fuels such as sodium carbonate and natural gas, labor, electricity and manufacturing fees. Influenced by the fluctuation of the prices of international bulk commodities, changes in supply and demand in the natural gas market, changes in production capacity in the sodium carbonate industry and needs for sodium carbonate due to the prospect of the glass and the aluminum oxide industry, the commencement of the pricing mechanism of natural gas and the linkage reform mechanism of crude oil, the commencement of coal power linkage pricing reform mechanism, the pressures of inflation arising from the Quantitative Easing happening to countries by turn all over the world, continuous rising of labor cost, the Company is exposed to the risk of cost fluctuation. Given the above, the Company will:

- (1) integrate key material suppliers to develop cooperative partnership relationship and build a sound mechanism in respect of the rating and incentive of suppliers, and appraise outstanding suppliers; build an iron triangle management mechanism on areas such as procurement, technique and quality by focusing on suppliers of key materials and import of materials.
- (2) enhance the research on the price trend of raw materials and make purchases in a timely manner; expand supply channel to ensure a stable and effective supply.
- (3) improve the utilization rate of materials, increase automation, optimize staff allocation, enhance efficiency, conserve energy and reduce consumption, strictly control costs throughout the process, integrate logistics, optimize packaging plans, increase transportation capacity of lorries and containers, reduce costs of packaging and logistics, enhance innovation in research and development and application of research accomplishments, increase productivity, improve management level and achieve overall efficiency.
- (4) strengthen customer loyalty and inspire their confidence in placing orders at the same time through building plants in the Europe and the US and conducting production and sale in those regions, and leverage certain of its strengths in the prices of materials, natural gas and electricity to avoid risks arising from cost fluctuations.
- (5) improve knowledge productivity and create value for the Company by devoting efforts to energy conservation in manufacturing and management, as well as product intelligence.

5. Risks of fluctuations in exchange rates

Reforms have been made to the mechanism of the country's RMB exchange rate with regard to the principles of taking initiatives in the reforms of, pursuing gradual changes in and maintaining control over RMB exchange rates by turning the said mechanism into a managed floating rate system based on market supply and demand with reference of the basket of currencies. Although the underlying cause of imbalances in international trade lies in the issues behind the economic structure of certain countries, fluctuations in exchange rates will take place alongside the fluctuations in the global economy, turbulence in certain countries, growing tension in certain key areas, and the tightening and easing of monetary policies by different countries. Given that the export-oriented business has accounted for over one third and its scale expands per annum, the occurrence of significant fluctuations in exchange rates will affect the results of the Company. In this regard, (1) the finance department of the headquarters of the Group will strengthen the supervision on the scale of foreign currency transactions as well as foreign currency assets and liabilities of the Group, and manage the potential fluctuations in exchange rates possibly by optimizing the settlement currency of export trades and utilizing exchange rate financial instruments and other proactive preventive measures; (2) the Company will strengthen customer loyalty and inspire their confidence in placing orders through building plants in the Europe and the US and conducting production and sale in those regions while avoiding risks arising from the fluctuations in exchange rates and keeping the risks under control.

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

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

III. RESULTS

Please see "Consolidated Income Statement" of "Section XII Financial Report" for details of the annual results of the Company as of the year ended December 31, 2016. Please see "Section XIII Business Performance Highlights for the Previous Five Years" for 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 2016 proposed by the Company is as follows: cash dividends of RMB7.5 per 10 shares (tax inclusive) are distributed based on total share capital of 2,508,617,532 shares of the Company as of December 31, 2016 for holders of A shares and holders of H shares whose names appear on the register of members on the record date of the declaration of cash dividend for the year of 2016 and dividend of RMB1,881,463,149 in total is distributed. The undistributed profit balance of the Company will be settled and carried forward to the following year. The Company will not carry out bonus sharing and conversion of capital reserve into share capital for the year of 2016. The cash dividend distributed by the Company is denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

After the profit distribution plan for the year 2016 of the Company is approved by the annual general meeting, the cash dividend will be paid out within two months from the closing of the annual general meeting. The Company will announce the details regarding the distribution date of and other matters on final dividend in due course.

For the details of the formulation, implementation and adjustment to the policy of cash dividend and the plan or proposal for profit distribution of the Company for the last three years (including the Reporting Period), please see "1. Profit Distribution Plan for Ordinary Shares or Plan to Convert Surplus Reserves into Share Capital" of "Section VII Significant Events".

Section V Report of the Board of Directors

Holders of A shares

In accordance with the Notice of Ministry of Finance, State Administration of Taxation and 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、中國證監會關於實施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 obtained by individuals from public offerings or 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 amount payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with duration of its holding period. Custodian of shares including securities companies will withhold the tax amount from individual accounts on the market, and as of 2017.1.1, the tax rate of 10% shall be applicable for dividends distributed by listed companies.

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Pursuant to the requirements of the Notice of the Ministry of Finance, State Administration of Taxation and 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 the 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 “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, 2016 to overseas individual shareholders whose names appear on the register of members of H shares of the Company.

Pursuant to 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.

Section V Report of the Board of Directors

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, State Administration of Taxation and 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 through 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 through 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 could be exempted from enterprise income tax according to law.

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, State Administration of Taxation and 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 through 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 through 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.

Section V Report of the Board of Directors

VII. DONATION

During the Reporting Period, total external donation of the Group amounted to RMB682.1 thousand.

VIII. PROPERTY, PLANT AND EQUIPMENT

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

IX. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Please see Note 9 “Investments in a Joint Venture and an Associate” and Note 35 “Subsidiaries” to “Section XII Financial Report” for the details of the interests of the Company in subsidiaries, joint ventures and associates as at December 31, 2016.

X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please see “IV. Changes in Directors, Supervisors and Senior Management of the Company” of “Section IX Directors, Supervisors, Senior Management and Employees” for details.

XI. DISCLOSURE OF INTERESTS

Please see “Section VIII Changes in Ordinary Shares and Information of Shareholders” for the details of the disclosure of interests of the Company.

XII. PURCHASE, DISPOSAL OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, disposed or redeemed any listed securities of the Company.

XIII. MINIMUM PUBLIC FLOAT

As at the Latest Practicable Date, according to the publicly available information and the best knowledge of the directors of the Company, the Company has maintained sufficient public float.

XIV. ISSUANCE OF SHARES

Please see “Section VIII Changes in Ordinary Shares and Information of Shareholders” for the details of the issuance of shares by the Company.

XV. RESERVES AND DISTRIBUTABLE RESERVE

Pursuant to the Company Law of the PRC, undistributed profit could be distributed as dividend after allocation is made to the statutory surplus reserve. According to the requirements of the Articles of Association, when the Company allocated profit after tax in relevant accounting year, the amount of profit after tax in the financial statements shall be prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards, whichever is lower. For the calculation in accordance with the International Financial Reporting Standards, as at the end of 2016, the undistributed profit of the Company amounted to approximately RMB3.402 billion.

Section V Report of the Board of Directors

XVI. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC. Meanwhile, the Company currently does not have any share options arrangements.

XVII. BANK BORROWINGS AND OTHER LOANS

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

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

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules, except as otherwise explained in the Corporate Governance Report of this annual report. Please see “Section X Company Governance and Corporate Governance Report” for the details of the corporate governance of the Company.

XIX. FULFILMENT OF SOCIAL RESPONSIBILITIES

During the Reporting Period, the Company has prepared and disclosed the 2016 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. pursuant to the relevant requirements. The relevant report will be published on the Hong Kong Stock Exchange and SSE.

XX. 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 Group recruits talents through various channels such as official website, official microblog and job-hunting website at home and abroad, social network and campus recruiting at home and abroad. Our employees will serve Fuyao companies around the world upon their completion of orientation training, operational training and professional training. The Group conducts quarterly performance coaching and annual performance review to provide its employees with feedbacks on their performance. Moreover, the Group also provides on-the-job training to its employees to enhance their skill and comprehensive quality. Please see “VIII. Employees of the Parent Company and Its Major Subsidiaries” of “Section IX Directors, Supervisors, Senior Management and Employees” 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 OEM customers include the world's top 20 automobile manufacturers by production volume, such as Toyota, Volkswagen, General Motors, Ford and Hyundai, and the top 10 passenger vehicle manufacturers in China by production volume, such as SAIC-GM, FAW-Volkswagen, Shanghai Volkswagen, Beijing Hyundai and Dongfeng Nissan, which are affiliates of or joint ventures operated by the world's top 20 automobile manufacturers.

In 2016, the five largest customers of the Group, all of which are independent third-party automotive glass customers, accounted for 15.15% of the revenue of the Group, and the largest customer accounted for 5.01% of the revenue of the Group. The Group have maintained good relationship with its major customers, and have established relationship with the 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 five largest customers of the Group.

Section V Report of the Board of Directors

(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 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 ISO/TS16949 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 2016, the five largest suppliers of the Group accounted for 19.95% of the purchases of the Group and the largest supplier of the Group accounted for 6.15% 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 has any interest in the five largest suppliers of the Group.

XXI. ENVIRONMENTAL MATTERS

The Group complies with a broad range of environmental laws and regulations in countries in which it operates, including those governing waste gas emissions, polluted water discharges, noise control and the management and disposal of hazardous substances and waste.

The major pollutants from the production process of the Group include waste gas, waste water, powder and dust, noise and solid waste, the emissions of which are in compliance with all applicable environmental laws, regulations and standards. The Group has implemented comprehensive environmental protection measures to minimize the impact of the production process on the environment, including (1) installation of fluorodenitration equipment on float glass kilns for waste gas treatment, (2) use of clean energy by replacing heavy oil with natural gas as the production fuel for float glass, (3) installation of water recycle system for cyclical use of water in the production process of all float glass businesses, (4) use of low-noise environmental equipments and keep them in good operation, as well as use of walls and acoustic materials to reduce noise effectively, (5) engagement of qualified third parties to dispose solid waste, and (6) implementation of the approval of clean production. In addition, the Group conducts environmental monitoring on factories according to the monitoring plan and accepts the supervision of the environmental protection authorities. The Group also engages qualified third parties to conduct environmental impact assessment prior to the construction of the production factories. The Group has obtained ISO14001 certification for the environmental management systems.

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

Section V Report of the Board of Directors

XXII. OCCUPATIONAL HEALTH AND SAFETY MATTERS

The Group complies with labor safety laws and regulations imposed by the government authorities in China and other countries in which it operates. The Group has implemented various occupational health and safety procedures to maintain a safe working environment, including (1) providing guidelines for operational and safety control procedures to all employees, (2) adopting protective measures at the production base, (3) inspecting equipment and facilities regularly to identify and eliminate safety hazard, and (4) providing regular training to the employees on safety awareness. The Group has established a labor safety committee to monitor and ensure the effective implementation of its health and safety procedures. The Group has established safety management departments at the Russian and US subsidiaries, which establish and monitor the implementation of safety management system at the production base in Russia and the US. The Group has also designated personnel in charge of safety management at the Russian and US production base. The Group has obtained GB/T28001 certification for the occupational health and safety management system. As the business of the Group expands, the Group will regularly review the occupational health and safety procedures to ensure they comply with industry practices and applicable laws and regulations.

As of the end of the Reporting Period, the Group did not encounter any material unplanned disruption in production due to health and safety issues, nor received any material claim in relation to health and safety.

XXIII. 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 the business. As of the Latest Practicable Date, the Company was not a party to, and 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. Please see “Section X Company Governance and Corporate Governance Report” for the details on the on-going compliance with applicable laws and regulations by the Company and the directors and senior management of the Company.

XXIV. REVIEW OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The financial statements for the year ended December 31, 2016 have been reviewed by the audit committee of the Company.

Section VI Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

Being a worldwide leading enterprise of design, development, manufacturing, supply and service of automotive glass and automotive grade float glass, Fuyao adheres to its brand development strategies of keeping technology leadership and fast response to the market. During the Reporting Period, Fuyao continuously provided products and services of automotive safety glass which embodied the intelligence and care of all Fuyao staff to the world's automobile manufacturers and maintenance market, as well as provided global automobile users with intelligent, safe, comfortable, environmentally friendly and fancy Total Solutions relating to automotive safety glass, and in the meantime, improved the happiness of both drivers and passengers.

In 2016, the global economy was still in a “low-growth trap”, while the PRC economy entered into the L-shaped transformation stage, in which its automobile industry still managed to be on the rise. According to the statistics of the China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC in 2016 were 28.1188 million units and 28.0282 million units, respectively, representing a year-on-year increase of 14.46% and 13.65%, and the growth rate increased by 11.21 percentage points and 8.97 percentage points respectively as compared with the corresponding period last year.

Under the strategic guidance of the Board of Directors, the business management led all Fuyao staff to carry out transformation and upgrading and forge ahead in the direction of knowledge productivity with the mission to create the future. During the Reporting Period, the Company achieved a revenue of RMB16,621,336,000, representing an increase of 22.45% as compared with the corresponding period last year; achieved a profit for the year attributable to the equity holders of the Company of RMB3,143,449,000, representing an increase of 20.68% as compared with the corresponding period last year or an increase of 26.46% as compared with the corresponding period last year excluding the effect of the one-off writing back of the corporate income tax preferential of RMB119,000,000 for China Western Development for the years 2011 to 2014 in 2015; reached a profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss (prepared in accordance with the China Accounting Standards for Business Enterprises), of RMB3,069,187,000, representing an increase of 17.57% as compared with the corresponding period last year; realized a net profit ratio of 18.90%, representing a decrease of 0.31 percentage points as compared with the corresponding period last year; and realized a basic earnings per share of RMB1.25, representing an increase of 13.64% as compared with the corresponding period last year. During the Reporting Period, the Company managed to make substantial steps in intelligent manufacturing, further enhancement its green and sustainable development ability and improvement its risk management ability:

(1) Fuyao's global strategic layouts achieved initial success.

During the Reporting Period, the U.S. Fuyao automobile glass plant completed construction and commenced operation and the Russian automobile glass plant started to step into benign development, which has further expanded Fuyao's international brand influence. Synchronized designing, manufacturing and serving with customers will increase the customer value and lay the foundation for the Company's global strategy. Products with internationally leading advanced technology self-developed by Fuyao have taken shape. The revenue generated from automotive glass sold in overseas markets represented a year-on-year increase of 23.92%, while the revenue generated from automotive glass sold in domestic markets represented a year-on-year increase of 22.36%, reflecting a further improvement in its market share.

(2) Improved independent innovation ability, innovative R&D mechanism and management innovation.

The Company has been focusing on the leading role of R&D innovation and believes that innovation is the cultural belief of Fuyao, thus it continuously improved its independent innovation ability. During the Reporting Period, the Company made R&D input of RMB728 million, representing a year-on-year growth of 22.72%. Management innovation is the guarantee of technical innovation. During the Reporting Period, the Company planned and established a corporate-level integrated collaboration platform, laying a foundation for the integration of full value chain by innovating on traditional organization theory and taking value flow as guidance.

Section VI Management Discussion and Analysis

(3) Improved knowledge productivity.

During the Reporting Period, the Company established Fuyao Lean Management Institute and provided human resource guarantee for Fuyao's global development by combining training grass-root cadres and technicians and increasing leadership training of managers.

(4) Implemented continuous improvement, lean production and quality operation.

During the Reporting Period, the Company promoted transformation and upgrading of quality work by focusing on customer value and advocating the quality culture of all staff; boosted lean management by taking Toyota's operating model as its example in combination with Fuyao's unique features and comprehensively elevated Fuyao's image and expectation for customers by proceeding with the system of "combining moral standing, product, quality and taste", thus making customers be more confident in Fuyao's products and staff.

Through the effective implementation of various measures and promoting of lean management, the control on cost expenses was successful and the operation profit rate improved effectively. The cost expense rate of the Company during the Reporting Period (the aggregate of cost of sales, distribution costs, administrative expenses, research and development expenses, finance costs – net and exchange gains/(losses) – net in other gains/(losses) as a percentage of revenue) was 77.17%, representing a decrease of 0.51 percentage points from 77.68% as compared with the corresponding period last year, and a decrease of 1.17 percentage points from 78.34% proposed for the year.

(5) Used big data to achieve intelligent and flexible manufacturing, thus laying the foundation for building intelligent plants of national comprehensive standardization of intelligent manufacturing to level up high value-added functional automobile glass manufacturing.

During the Reporting Period, the Company advanced information construction aiming at data-driven business process, strengthened the process construction, promoted supply-demand guarantee ability to make customers benefit from values generated from intelligent manufacturing.

(6) Improved the Group's professional management capability.

The Fuyao Group carried out a series of organizational structure reforms in 2016 to better serve the Business Department. The sales system was divided into several districts, so that its sales team could be closer to the market and customers. A multi-departmental team was formed for processes including accessories, encapsulation and sunroof according to the project operation mode. Information departments of the Group were integrated and reformed for resource construction and service quality improvement.

Section VI Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

As at December 31, 2016, the total assets of the Company amounted to RMB29.880 billion, representing an increase of 20.28% as compared with the beginning of the year; the total liabilities amounted to RMB11.827 billion, representing an increase of 40.60% as compared with the beginning of the year; gearing ratio was 0.26%; equity attributable to the holders of the Company amounted to RMB18.048 billion, representing an increase of 9.89% as compared with the beginning of the year.

During the Reporting Period, the operating revenue achieved by the Company amounted to RMB16,621,336,000, representing an increase of 22.45% as compared with the corresponding period of last year; the profit for the year attributable to the equity holders of the Company amounted to RMB3,143,449,000, representing an increase of 20.68% as compared with the corresponding period of last year or an increase of 26.46% as compared with the corresponding period last year excluding the effect of the one-off writing back of the corporate income tax preferential of RMB119,000,000 for China Western Development for the years 2011 to 2014 in 2015; the profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss (prepared in accordance with the China Accounting Standards for Business Enterprises), amounted to RMB3,069,187,000, representing an increase of 17.57% as compared with the corresponding period of last year; basic earnings per share amounted to RMB1.25, representing an increase of 13.64% as compared with the corresponding period of last year.

(I) Analysis on principal business

Table of analysis of changes in relevant items in the income statement and cash flow statement

Unit: '000 CNY; RMB

Items	For the Reporting Period	For the same period last year	Percentage Change (%)
Revenue	16,621,336	13,573,495	22.45
Cost of sales	9,648,615	7,938,515	21.54
Distribution costs and selling expenses	1,184,740	1,020,585	16.08
Administrative expenses	1,673,626	1,287,869	29.95
Finance costs – net	51,137	170,787	-70.06
Net cash generated from operating activities	3,531,738	3,000,346	17.71
Net cash used in investing activities	-3,067,995	-3,001,382	2.22
Net cash generated from financing activities	424,489	5,108,065	-91.69
Research and development expenses	727,586	592,889	22.72

Section VI Management Discussion and Analysis

Changes in income statement and explanations

Unit: '000 CNY, RMB

Items	For the Reporting Period	For the same period last year	Increase/decrease amount	Percentage of increase/decrease (%)	Reason for change
Other gains – net	493,785	375,797	117,988	31.40	The year-on-year increase in other gains was mainly due to the gains arising from transfer of equity interests in subsidiaries during the Reporting Period, the donation of US\$7 million by Fuyao Glass America Inc.(福耀玻璃美國有限公司), a subsidiary of the Company, to University of Dayton and significant loss on disposal of property, plant and equipment incurred by Fuyao Glass Illinois Inc..
Finance income	106,576	19,725	86,851	440.31	The increase in finance income was mainly due to a year-on-year increase in interest income.
Share of results of joint venture and associate	-112	5,559	-5,671	-102.01	The change of share of results of joint venture and associate was mainly due to investment loss recognised for the losses recorded for the Reporting Period by Fuyao Group Shuangliao Co., Ltd.(福耀集團雙遼有限公司) (renamed as Jinken Glass Industry Shuangliao Co., Ltd.) (金壘玻璃工業雙遼有限公司), which was accounted for as an associate instead of a subsidiary after the completion of transferring 75% of its equity interests during the Reporting Period.
Income tax expense	776,909	435,226	341,683	78.51	The year-on-year increase was mainly due to an increase of total profits for this year and the written-back of 10% tax rates difference in the corresponding period of last year, being RMB119.00 million in total calculated based on the original tax rate of 25% for the years from 2011 to 2014 as the subsidiaries located in western China were entitled to a 15% income tax rate under the preferential tax policy for western China development pursuant to the "State Administration of Taxation's Announcement on Issues Concerning Enterprise Income Tax for the Catalog of Encouraged Industries in the Western Regions" (2015 No. 14) (國家稅務總局公告的2015年第14號《國家稅務總局關於執行西部地區鼓勵類產業目錄有關企業所得稅問題的公告》).
Non-controlling interests	-1,511	2,119	-3,630	-171.31	The change of non-controlling interests was mainly due to losses recorded by Hunan Xupu Silica Sand, a non-wholly-owned subsidiary of the Company, for the Reporting Period.

Section VI Management Discussion and Analysis

Changes in cash flow statement and explanations

Unit: '000 CNY; RMB

Items	For the Reporting Period	For the same period last year	Increase/decrease amount	Percentage of increase/decrease (%)	Reason for change
Income tax paid	613,628	470,101	143,527	30.53	The year-on-year increase in income tax paid was due to higher income tax paid in line with increased total profit for the Reporting Period.
Proceeds from disposal of subsidiaries and joint ventures	212,517	52,792	159,725	302.56	Proceeds from disposal of subsidiaries and joint ventures were the proceeds received from transfer of equity interests in the subsidiaries, including Fuyao Group Shuangliao Co., Ltd. (福耀集團雙遼有限公司), Fuzhou Fuyao Mold Technology Co., Ltd. (福州福耀模具科技有限公司) and Baoding Fuyao Glass Co., Ltd. (保定福耀玻璃有限公司).
Purchases of leasehold land and land use rights	10,702	215,211	-204,509	-95.03	The year-on-year decrease in purchases of leasehold land and land use rights was mainly due to significant increase in purchases of land use rights incurred in the same period of last year for Tianjin Hongde, a newly set-up subsidiary of the Company.
Purchase of intangible assets	19,204	10,203	9,001	88.22	The increase in purchase of intangible assets was mainly due to increased purchase of computer software.
Interest received	106,576	19,725	86,851	440.31	The increase in interest received was mainly due to the increase in interest income arising from deposit.
Dividends received	9,800	85,584	-75,784	-88.55	The decrease in dividends received was due to a decrease in the dividends distributed from joint ventures.
Decrease/(increase) in restricted cash	1,342	-5,598	6,940	-123.97	The change in restricted cash was mainly due to the opening of the letter of credit and change in deposits by way of bills of exchange by the subsidiaries.
Government grants received relating to property, plant and equipment	114,276	51,426	62,850	122.21	The increase in government grants received in relation to property, plant and equipment was mainly due to the government grants received in relation to various projects including intelligent manufacturing plant and infrastructure construction in the Reporting Period.
Proceeds from issuance of ordinary shares	-	6,523,837	-6,523,837	-100.00	The decrease in proceeds from issuance of ordinary shares was due to proceeds raised through the issuance of H shares during the same period of last year.
Proceeds from borrowings	10,013,567	7,534,188	2,479,379	32.91	The increase in proceeds from borrowings was mainly due to the issuance of a 3-year term corporate bond of RMB800 million with an annual interest rate of 3% and four tranches of commercial papers of RMB1.2 billion in total during the Reporting Period.

Section VI Management Discussion and Analysis

1. Analysis on revenue and costs

During the Reporting Period, sales of automotive glass of the Company increased by RMB3,007,569,000, representing a year-on-year increase of 22.89%, in which domestic OEM sales increased by RMB1,939,090,000, sales of overseas spare parts increased by RMB347,915,000, and overseas OEM sales increased by RMB717,599,000. Cost of sales of the automotive glass of the Company increased by RMB1,882,257,000, representing a year-on-year increase of 22.61%. Cost expense rate in 2016 was 77.17%, representing a decrease of 0.51 percentage points as compared with the corresponding period of last year. During the Reporting Period, the Company adhered to industrial specialization, made more efforts on marketing, strengthened the development of functional products and high value-added products, implemented energy conservation and consumption reduction, and improved management efficiency to ensure that the growth of domestic and overseas automotive glass sales exceeded the growth in the automotive industry, while the costs were effectively controlled.

(1) Principal business by product or by region

Unit: '000 CNY; RMB

Product	Revenue	Cost of sales	Principal business by product			
			Profit margin (%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in profit margin as compared with last year (%)
Automotive glass	16,145,326	10,206,223	36.79	22.89	22.61	Increased by 0.15 percentage points
Float glass	2,729,026	1,930,243	29.27	9.81	1.14	Increased by 6.06 percentage points
Others	404,319	169,484				
Less: Intragroup elimination	-2,657,335	-2,657,335				
Total	16,621,336	9,648,615	41.95	22.45	21.54	Increased by 0.44 percentage points

Section VI Management Discussion and Analysis

Region	Revenue	Cost of sales	Principal business by region			
			Profit margin (%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in profit margin as compared with last year (%)
The PRC	10,974,910	6,183,715	43.66	21.03	19.39	Increased by 0.78 percentage points
Other countries	5,646,426	3,464,900	38.64	25.32	25.59	Decreased by 0.13 percentage points
Total	16,621,336	9,648,615	41.95	22.45	21.54	Increased by 0.44 percentage points

(2) Production and sales volume analysis

Principal products	Production volume	Sales volume	Inventory	Change in volume as compared with last year (%)		
				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	107.21	105.93	11.90	15.30	15.13	17.71
Float glass	117.82	114.97	21.15	5.39	10.13	-20.46

Note to production and sales volume:

Production volume refers to that of finished goods.

Section VI Management Discussion and Analysis

(3) Costs analysis

Unit: '000 CNY; RMB

Products	Cost structure	Amount for the period	Amount for the period accounting for total costs (%)	By product		Change in the amount for the period as compared with the corresponding period last year (%)	Note
				Amount for the period last year	Amount for the period accounting for total costs (%)		
Automotive glass	Raw and auxiliary materials	6,586,489	64.53	5,406,160	64.95	21.83	
Automotive glass	Costs of energy	837,603	8.21	797,292	9.58	5.06	
Automotive glass	Costs of labor	1,452,185	14.23	1,009,993	12.13	43.78	
Automotive glass	Others ⁽¹⁾	1,329,946	13.03	1,110,521	13.34	19.76	
Float glass	Raw and auxiliary materials	571,121	29.59	511,997	26.83	11.55	
Float glass	Costs of energy	685,772	35.53	871,311	45.66	-21.29	
Float glass	Costs of labor	162,657	8.43	72,983	3.82	122.87	
Float glass	Others ⁽¹⁾	510,693	26.45	452,127	23.69	12.95	

Note (1): Others include manufacturing overhead, business tax and surcharge and provision for impairment of inventories.

(4) Information on major customers and major suppliers

Sales to the five largest customers amounted to RMB2,517,647,300, accounting for 15.15% of the total sales of the year; of which related-party sales amounted to nil, accounting for 0% of the total sales of the year.

Purchases from the five largest suppliers amounted to RMB1,263,850,300, accounting for 19.95% of the total purchases of the year; of which related-party purchases amounted to nil, accounting for 0% of the total purchases of the year.

2. 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.

Section VI Management Discussion and Analysis

3. Research and development expenses

Table of research and development expenses

	RMB ('000)	RMB (100 million)
R&D expenses during the Reporting Period	727,586	
Capitalised R&D expenses during the Reporting Period		
Total R&D expenses	727,586	
Total amount of R&D investments as a percentage of the revenue (%)	4.38	
Number of R&D staff of the Company	3,027	
Number of R&D staff as a percentage of the total number of staff of the Company (%)	11.59	
Percentage of R&D investments capitalization (%)	0	

4. Cash flows

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

5. Details of charge on assets

As at December 31, 2016, Yung Tak Investment Limited, a subsidiary of the Group, pledged a land and buildings with a book value of RMB10,375,937 as security for a credit line of HKD30 million.

6. Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other technical transformation expenditures. During the Reporting Period, RMB3.568 billion in cash was paid for purchase and construction of fixed assets, intangible assets and other long-term assets. In particular, capital expenditure of the Fuyao American automotive glass and float glass projects amounted to approximately RMB1.869 billion, while capital expenditure of the Fuyao Tianjin automotive glass project amounted to approximately RMB356 million.

Section VI Management Discussion and Analysis

7. Borrowings

During the Reporting Period, the newly-added borrowings amounted to approximately RMB10.014 billion, among which, commercial papers amounted to RMB1.2 billion and corporate bonds amounted to RMB800 million; repayment of bank borrowings amounted to approximately RMB7.554 billion, among which, mid-term notes and commercial papers amounted to RMB1 billion. The Company did not utilize any financial instrument for hedging. As at December 31, 2016, the information on interest-bearing debts are set out as follows:

Type	Amount
Short-term borrowings with fixed interest rates	42.28
Short-term borrowings with floating interest rates	0.06
Long-term borrowings with fixed interest rates due within one year	—
Long-term borrowings with floating interest rates due within one year	8.08
Long-term borrowings with floating interest rates	7.76
Corporate bonds	7.98
Ultra short-term financing bills	6.09
	<hr/>
Total	<u>72.45</u>

8. 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 recognised by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in U.S. dollar). The finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies to mitigate the foreign exchange risks to the largest extent possible; as such, the Group may hedge foreign exchange risks by ways of forward foreign exchange contract or currency swap contract. During the Reporting Period, foreign exchange gain of the Group amounted to RMB458,716,200 as compared with foreign exchange gain of RMB466,734,300 for the corresponding period of last year.

Section VI Management Discussion and Analysis

9. Capital efficiency

Section VI Management Discussion and Analysis

(II) Analysis on assets and liabilities

1. Assets and Liabilities

Unit: '000 CNY; RMB (¥)

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 an associate	61,472	0.21	–	–	100.00	The increase of investments in an associate was due to the fact that the Group still held 25% equity interests in Fuyao Group Shuangliao Co., Ltd. (福耀集團雙遼有限公司) (now renamed as nupass equinvein ity interests in du

Section VI Management Discussion and Analysis

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
Other reserves	1,751,558	5.86	1,098,091	4.42	59.51	The increase in other reserves was due to the increase in difference on conversion of foreign financial statements resulting from appreciation of the U.S. Dollar and the Russian Ruble.
Borrowings – non-current liabilities	1,573,531	5.27	848,000	3.41	85.56	The increase in borrowings was mainly due to the issuance of 3-year term corporate bonds of RMB800 million with an annual interest rate of 3% during the Reporting Period.
Current income tax liabilities	434,780	1.46	262,137	1.06	65.86	The increase in current income tax liabilities was mainly due to an increase in total profits for the Reporting Period, which resulted in higher income tax liabilities.
Borrowings – current liabilities	5,671,642	18.98	3,871,051	15.58	46.51	The increase in borrowings was mainly due to an increase in working capital requirements.
Derivatives financial instruments – current liabilities	–	–	925	0.00	-100.00	The decrease in derivatives financial instruments was due to the settlement of some future foreign exchange settlement contracts and the unrealized gains resulting from revaluation of the unsettled future foreign exchange settlement contracts.
Liabilities of disposal groups classified as held-for-sale	–	–	9,552	0.04	-100.00	The decrease in liabilities of disposal groups classified as held-for-sale was due to completion of transferring 75% equity interests in Fuyao Group Shuangliao Co., Ltd. (renamed as Jinken Glass Industry Shuangliao Co., Ltd.) (金壘玻璃工業雙遼有限公司) held by the Company during the Reporting Period.

Section VI Management Discussion and Analysis

(III) Analysis on industry operating information

The automobile production volume in China increased from 18,264,700 units in 2010 to 28,118,800 units in 2016, with a compound annual growth rate of 7.46% and year-on-year growth of 14.46%. It has ranked first in the world for the last eight years. The Chinese automobile industry has transformed into a stage of quality-driven development from that of speed-driven development.


The average growth speed of the global automobile industry maintained stable at approximately 3.5% to 4.5%, as is evident from the average growth speed of automobile industry in the world for years. However, the growth speed of the automobile industry in developing countries is higher than that in developed countries and their proportion in the global automobile industry is constantly increasing with an expanding impact.

According to OICA, the global automobile ownership is 1.236 billion units as of 2014. Economic sentiments, climate changes and road conditions are the major factors affecting the total amount of aftermarket automotive glass. The stable growth in car ownership and frequent extreme weathers brought a rapid growth in the demand of aftermarket automotive glass.

In the medium and long term, the popularity of Chinese automobiles will still be relatively low. According to the data as of 2015, the automotive ownership has reached approximately 12 units, approximately 18 units and over 80 units for every one hundred Chinese, global individuals and Americans, respectively. Along with the development of the Chinese economy, the enhancement of urbanization level, the growth in residents' income, the increase in consumption ability and the improvement of road infrastructure will continue to infuse driving force in growing the Chinese automobile market. There is still much room for development for the Chinese automobile industry and its supporting industries.

The promotion of new-energy, intelligent and energy-saving automobiles drives economic transformation and upgrading; along with the development of technical application, the automotive glass has developed towards environmental protection, energy conservation, intelligence and integration with constantly increasing additional value. The leading position of Fuyao in the industry in terms of technology has brought structural opportunities to the automotive glass of the Company in the market.

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

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

Section VI Management Discussion and Analysis

Analysis on operating information of automobile manufacturing industry

By classification of components and parts

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	105.93	92.01	15.13	107.21	92.98	15.30

By classification of markets

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	90.71	77.51	17.03	15.22	14.50	4.97

(IV) Analysis on investments

1. Material non-equity investments

The Company plans to complete the construction of production facilities with an annual capacity of 22 million square meters of automotive safety glass (excluding encapsulation facilities with an annual capacity of 1.08 million square meters) in Moraine, Ohio, the U.S.. The Company invested USD237 million during the Reporting Period with the accumulated actual investment amounting to USD654 million as of December 31, 2016. The investments were mainly funded by proceeds raised by and borrowings of the Company. Currently, the construction of the capacity of approximately 12 million square meters of the automotive glass project in Moraine, Ohio, the U.S. has been completed. In 2016, Fuyao Glass America Inc. achieved a revenue of USD104,439,500 and a net loss of USD41,610,500. Fuyao Glass America Inc. is expected to step into a benign development track in 2017.

Section VI Management Discussion and Analysis

2. Financial assets at fair value

Name of items	Opening balance	Closing balance	C ₁ 12.31 : RMB	
			Changes in the Reporting Period	Impacted amounts on current profits
Forward foreign exchange contracts	-825,435	1,951,267	-2,776,702	2,776,702
Short call on foreign exchange	-100,000	—	-100,000	100,000
Total	-925,435	1,951,267	-2,876,702	2,876,702

N/A The positive balance represents that the net balance of the related items at the date of the balance sheet is assets, while negative as liabilities.

(V) Material disposal of assets and equities

During the Reporting Period, the Group disposed its equity interests in Fuyao Group Shuangliao Co., Ltd., Baoding Fuyao Glass Co., Ltd. and Fuzhou Fuyao Mold Technology Co., Ltd. The disposal of equity interests will not affect the continuity of the business and the stability of the management of the Company.

(VI) Analysis on principal holding and investee companies

Company	Business nature	Major products or services	C ₁ 12.31 : RMB					
			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	53,514.95	210,798.9	129,360.96	183,341.6	65,846.13	59,025.57
Fuyao Group (Shanghai) Automobile Glass Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	USD68.0488 million	294,004.75	134,152.78	273,096.1	78,041.41	69,340.89
Shanghai Fuyao Bus Glass Co., Ltd.	Manufacturing enterprise	Production of special glass and sale of self-produced products	20,000.00	124,383.54	59,648.22	156,099.26	40,064.81	34,391.11
Guangzhou Fuyao Glass Co., Ltd.	Manufacturing enterprise	Production of special glass made of inorganic nonmetallic materials and products	USD75 million	232,045.86	106,326.37	215,174.21	51,093.84	44,908.84

Section VII Significant Events

I. PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

(I) Formulation, implementation or adjustments of cash dividend policies

1. Cash dividend policies of the Company:

Dividends were distributed in accordance with cash dividend policies as required under the Articles of Association of the Company.

In 2014, in accordance with the relevant requirements under the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (CSRC Notice [2013] No. 43) (《上市公司監管指引第3號 – 上市公司現金分紅》) (證監會公告[2013]43號) issued by the CSRC, the Company amended its cash dividend policies as set forth in the Articles of Association (For details, please refer to <http://www.sse.com.cn>).

The profit distribution plan for shareholders for the coming three years (2015–2017) was announced in the announcement published by the Company on February 17, 2015 (For details such as the specific distribution policies, please refer to <http://www.sse.com.cn>).

2. During the Reporting Period, the Company carried out profit distribution for 2015, and on the basis of 2,508,617,532 shares of total issued share capital of the Company, cash dividends of RMB7.50 (tax inclusive) for every 10 shares were declared, with total dividends amounting to RMB1,881,463,149. The distribution date of cash dividends of A shares was June 8, 2016, and the distribution date of cash dividends of H shares was July 8, 2016.

(II) Plan or proposal for distribution of dividend on ordinary shares or for conversion of capital reserve into share capital of the Company for the last three years (including the Reporting Period)

Unit: '000 CNY; RMB

Year	Bonus share for every 10 shares (CNY)	Dividend for every 10 shares (RMB)	Conversion into share capital for every 10 shares (CNY)	Amount of cash dividends (CNY)	Net profit attributable to shareholders of ordinary shares of the Listed Company in the consolidated statements for the dividend year	Percentage of net profit attributable to shareholders of ordinary shares of the Listed Company in the consolidated statements (%)
2016	0	7.5	0	1,881,463	3,143,449	59.85
2015	0	7.5	0	1,881,463	2,604,697	72.23
2014	0	7.5	0	1,502,240	2,219,245	67.69

Section VII Significant Events

II. PERFORMANCE OF UNDERTAKINGS

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

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly
Other undertakings	Dividend distribution	Fuyao Glass Industry Group Co., Ltd.	<p>The dividend distribution plan for the shareholders for the upcoming three years (2015-2017) is as follows:</p> <p>1. Form of profit distribution: provided that the relevant stipulations and conditions under the relevant laws, regulations, normative documents, the Articles of Association and this plan are complied with and that the continuity and stability of the profit distribution plan is ensured, the Company may distribute dividends by way of cash, shares, the combination of cash and shares or any other distribution methods as permitted under relevant laws and regulations. The profit distribution of the Company shall neither exceed the accumulated distributable profit nor impair the Company's ability to continue as a going concern. Among the profit distribution methods, the Company shall preferentially distribute in the form of cash over shares. Where the Company fulfills the conditions for dividend distribution in the form of cash, the Company shall distribute dividends by way of cash. Where the Company distributes profit in the form of shares, the decision shall be made based on true and reasonable factors such as the growth of the Company and the dilution of net assets per share.</p> <p>2. Interval of profit distribution: if the Company has generated profit and its accumulated undistributed profit is a positive figure in the year, the Company shall distribute profit at least once a year. The Company may make interim profit distribution by way of cash. In the upcoming three years, the Board of Directors of the Company may propose to the Company an interim dividend distribution in accordance with the profit scale, cash flow, development stage and demand for funds of the Company in the year.</p> <p>3. Specific conditions for and the minimum proportion of dividend distribution by way of cash: in the event that the Company has no material investment plans or substantial capital expenditure (excluding investment projects for fundraising) and the Company has generated profit and its accumulated undistributed profit is a positive figure in the year, the Company shall distribute dividend in the form of cash and the profit distributed by this way for the year shall not be less than 20% of the distributable profit realized in the year, provided, however, that the sustainable operations and long-term development of the Company are ensured. The Board of Directors shall devise a proposal on the specific proportion of dividend distribution for each year in accordance with the profit of the Company for the year and plans for the utilization of future funds.</p> <p>4. Specific conditions for dividend distribution by way of shares: provided that good conditions for operations and growth of the Company are ensured and that the Board of Directors considers there is a mismatch between the scale of the Company's share capital and, inter alia, the earnings per share, share price and net assets per share, and under the premise that the Company fulfills the requirements above for cash dividend distribution, the Company may distribute profit by way of shares. In determining the specific amount of profit distribution in the form of shares, the Company shall fully take into account whether the total share capital after the distribution of share dividends is in line with, inter alia, the current operational scale, pace of profit growth and dilution of net assets per share of the Company and consider its impact on future debt financing costs, in a bid to ensure that the profit distribution plan is in line with the overall and long term interests of the shareholders as a whole.</p> <p>5. Differentiated cash dividend policy: the Board of Directors shall distinguish the following circumstances having taken into account its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangements, and propose differentiated cash dividend policies in accordance with the procedures set out in the Articles of Association: (1) Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution during the profit distribution; (2) Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution during the profit distribution; (3) Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution during the profit distribution; If it is difficult to determine the Company's stage of development while it has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the rules applied in the previous distribution.</p> <p>6. In the event that the Company has realized profit in the previous financial year but the Board of Directors of the Company did not propose any cash dividend distribution plan at the end of the previous financial year, the Company shall seek advice from the independent directors and shall disclose in the periodic reports the reasons for not proposing the cash dividend plan, the use of undistributed funds accumulated in the Company, and the independent directors shall present independent opinions and disclose the same to the public.</p> <p>7. The formulation and execution of the profit distribution plan: the Board of Directors shall propose a profit distribution plan and submit the same to the general meeting for consideration at the end of each financial year. The Company accepts the advice and supervision of all shareholders, independent directors and supervisors on the Company's profit distribution plan. After the decision for the profit distribution plan has been reached at the general meeting of the Company, the Board of Directors of the Company shall complete the distribution of dividends (or shares) within 2 months of the convening of the general meeting.</p>	Date of announcement of the undertaking: March 12, 2015, term of performance of the undertaking: January 1, 2015 to December 31, 2017	Yes	Yes

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According to the relevant disclosures headed "Substantial Shareholders" in the prospectus in relation to the H shares offering dated March 19, 2015, Ms. Chan Fung Ying and Fujian Yaohua Industrial Village Development

Section VII Significant Events

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

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

VI. SUBSTANTIAL CONNECTED TRANSACTIONS

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

1. On August 22, 2015, the Company entered into a supply of goods framework agreement with Fujian Triplex Machinery Technology Co., Ltd. and Fujian Triplex Auto Parts Development Co., Ltd. (which has changed its name to Fujian Triplex Auto Decoration Co., Ltd., same as below) for the purchase of some production facilities and raw and auxiliary production materials, for a term from September 1, 2015 to December 31, 2016. With the continuous expansion of its production scale in 2016, the Company expected that the quantity and value of equipment purchased from Fujian Triplex Machinery Technology Co., Ltd. would significantly increase. Therefore, on October 29, 2016, the Board decided to increase its annual caps under the supply of goods framework agreement for the year ended December 31, 2016 from RMB90,000,000 to RMB120,000,000.

Fujian Triplex Machinery Technology Co., Ltd. and Fujian Triplex Auto Parts Development Co., Ltd. are both controlled by Mr. Tso Fai, a non-executive director of the Company, and are associates of Mr. Tso Fai. In accordance with the rules under Chapter 14A of the Hong Kong Listing Rules, Fujian Triplex Machinery Technology Co., Ltd. and Fujian Triplex Auto Parts Development Co., Ltd. are both connected persons of the Company, and their transactions with the Company constituted continuing connected transactions of the Company.

The aim of entering into the supply of goods framework agreement by the Company and Fujian Triplex

Section VII Significant Events

For the year ended December 31, 2016, the approved annual caps and the amounts of transactions incurred in relation to non-exempt continuing connected transactions under the framework agreements between the Company and Fujian Triplex Machinery Technology Co., Ltd. and Fujian Triplex Auto Parts Development Co., Ltd. and/or their associates for the above service are set out as below:

Nature of the transaction	Annual caps on transactions in 2016	Consolidated amount of transactions in 2016
Expenses of the Company arising from purchasing facilities supplied by Fujian Triplex Machinery Technology Co., Ltd. and/or its associates under the supply of goods framework agreement	RMB120 million	RMB108.9403 million
Expenses of the Company arising from purchasing raw and auxiliary materials supplied by Fujian Triplex Auto Parts Development Co., Ltd. and/or its associates under the supply of goods framework agreement	RMB85 million	RMB27.3035 million
Total	RMB205 million	RMB136.2438 million

N.J. The above annual caps were determined in accordance with purchase and sales plans of the Company and market fair price of the relevant products to be purchased.

- Given that the previous lease contract expired on December 31, 2015, the Company entered into a new lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. on October 26, 2015 to continue the lease of properties from Fujian Yaohua Industrial Village Development Co., Ltd. for the three years ending December 31, 2018. Fujian Yaohua Industrial Village Development Co., Ltd. is indirectly wholly-owned by Mr. Cho Tak Wong, the chairman of the Company, and his spouse, Ms. Chan Fung Ying, who is an associate of Mr. Cho Tak Wong and Mr. Tso Fai, the son of Mr. Cho Tak Wong and a non-executive director of the Company. Fujian Yaohua Industrial Village Development Co., Ltd. is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules, and the transactions between Fujian Yaohua Industrial Village Development Co., Ltd. and the Company constitute continuing connected transactions of the Company.

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

Principal terms of the new lease contract entered into between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. mainly include: (1) The Company will lease the warehouse on underground floor 1, the staff cafeteria and club and staff dormitory of Districts I and II of Fuyao Industrial Village and the standard manufacturing plant of District I of Yaohua Industrial Village located at Honglu Town, Fuqing, Fujian Province. (2) The annual rent shall be settled in two installments, which consist of the rent for the first half of the year payable on the 15th of January for each calendar year and the rent for the second half of the year payable on the 15th of July for each calendar year, respectively. For details of the terms and conditions, please refer to the announcement titled "Renewal of the Continuing Connected Transaction under the Lease Contract" disclosed on October 26, 2015 by the Company on the Hong Kong Stock Exchange and the website of the SSE.

Section VII Significant Events

For the year ended December 31, 2016, the approved annual caps and the amounts of transaction incurred in relation to the non-exempt continuing connected transactions contemplated under the above contract between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates are set out as below:

Nature of the transaction	Annual caps on transactions in 2016	Consolidated amount of transactions in 2016
Expenses of the Company arising from leasing the properties of Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates under the lease contract	Approximately RMB21.58 million	RMB20.9256 million
Total	Approximately RMB21.58 million	RMB20.9256 million

Note: The relevant annual caps are determined after taking into account the following factors: (i) the historical transaction amounts; (ii) the prevailing market price of the comparable properties in the place where the leased properties are located; and (iii) the increased leasing area due to the needs of the Company's business expansion.

- On March 19, 2016, the Company and Fujian Wanda Automobile Glass Industrial Co., Ltd. (a wholly-owned subsidiary of the Company) and Fujian Triplex Industrial Development Co., Ltd. (which has changed its name to Fujian Triplex Holdings Group Co., Ltd., same as below) entered into an equity transfer agreement on Fuzhou Fuyao Mold Technology Co., Ltd., pursuant to which the Company and Fujian Wanda Automobile Glass Industrial Co., Ltd. have transferred a total of 100% of equity interests in Fuzhou Fuyao Mold Technology Co., Ltd. to Fujian Triplex Industrial Development Co., Ltd. Fujian Triplex Machinery Technology Co., Ltd. is controlled by Mr. Tso Fai, a non-executive director of the Company. After the transfer of equity interests, Fuzhou Fuyao Mold Technology Co., Ltd. has become an associate of Mr. Tso Fai.

On March 19, 2016, the Company entered into a supply of goods framework agreement with Fuzhou Fuyao Mold Technology Co., Ltd. for the purchase of some molds and gauges, for a term from March 19, 2016 to December 31, 2016. In accordance with the rules under Chapter 14A of the Hong Kong Listing Rules, Fuzhou Fuyao Mold Technology Co., Ltd. is a connected person of the Company, and its transactions with the Company constituted continuing connected transactions of the Company.

The aim of entering into the supply of goods framework agreement by the Company and Fuzhou Fuyao Mold Technology Co., Ltd. and conducting relevant continuing connected transactions is to better meet the demand for molds and gauges by the Company's normal production and operation, improve development efficiency of molds and gauges, provide excellent services, and fully utilize the synergies between the Company and the connected persons. The supply price was negotiated and determined with regard to the fair, impartial, open and reasonable principles and with reference to market price. The Group will make reference to contemporaneous transactions with third parties who are not connected persons for similar transaction subjects and numbers to determine if the price and transaction terms offered by Fuzhou Fuyao Mold Technology Co., Ltd. are fair and reasonable and not less favorable than those of the transactions between the Group and independent third parties. For details of the terms and conditions, please refer to the announcement titled "Continuing Connected Transaction under the Fuzhou Mold Supply of Goods Framework Agreement and Triplex Auto Services Master Distribution Framework Agreement" disclosed on March 21, 2016 by the Company on the Hong Kong Stock Exchange and the website of the SSE.

Section VII Significant Events

For the year ended December 31, 2016, the approved annual caps and the amounts of transactions incurred in relation to non-exempt continuing connected transactions under the framework agreements between the Company and Fuzhou Fuyao Mold Technology Co., Ltd. and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transactions in 2016	Consolidated amount of transactions in 2016
Expenses of the Company arising from purchasing molds and gauges supplied by Fuzhou Fuyao Mold Technology Co., Ltd. and/or its associates under the supply of goods framework agreement	RMB200 million	RMB105.1195 million
Total	RMB200 million	RMB105.1195 million

N.J. The above annual caps were determined in accordance with purchase and sales plans of the Company and market fair price of the relevant products to be purchased.

- On March 19, 2016, the Company and Fujian Triplex Auto Services Co., Ltd. entered into a master distribution framework agreement, under which the Company has authorized Fujian Triplex Auto Services Co., Ltd. to use its trademark and brand without payment and supplied Fujian Triplex Auto Services Co., Ltd. with products, for a term from March 19, 2016 to December 31, 2016. Fujian Triplex Auto Services Co., Ltd. is controlled by Mr. Tso Fai, a non-executive director of the Company, and an associate of Mr. Tso Fai. In accordance with the rules under Chapter 14A of the Hong Kong Listing Rules, Fujian Triplex Auto Services Co., Ltd. is a connected person of the Company, and its transactions with the Company constituted continuing connected transactions of the Company.

The aim of entering into the master distribution framework agreement by the Company and Fujian Triplex Auto Services Co., Ltd. and conducting relevant continuing connected transactions is to faster increase the Company's share in the domestic parts market, meet the Company's product sales needs and to fully utilize the synergies between the Company and the connected persons, which is beneficial for the sound and sustainable development of the Company. The Company will adopt the following specific measures to ensure that the prices offered to Fujian Triplex Auto Services Co., Ltd. are on normal commercial terms and are fair and reasonable: the selling prices will be determined by the sales department of the Company in accordance with the product costs and with reference to the information collected by the Company's sales department in relation to market prices of the same or similar products (the "Base Price"); the Company's sales department will make adjustment to the Base Price in accordance with the market competitions on sales of similar ARG products (the "Adjusted Price"); and the Adjusted Price will constitute the basis for the Company's negotiation of the selling prices with Fujian Triplex Auto Services Co., Ltd. and based on such negotiation, the "Price List of Supplying Goods" will then be formulated. Based on the procedures above, the Company will ensure that the average selling prices offered to Fujian Triplex Auto Services Co., Ltd. shall not be lower than the market prices of the same or similar products in the domestic after-sale market based on the market information collected by the Company. For details of the terms and conditions, please refer to the announcement titled "Continuing Connected Transactions under the Fuzhou Mold Supply of Goods Framework Agreement and the Triplex Auto Services Master Distribution Agreement" and "Further Announcement on the Continuing Connected Transactions under the Fuzhou Mold Supply of Goods Framework Agreement and the Triplex Auto Services Master Distribution Framework Agreement" disclosed on March 21, 2016 and April 19, 2016 by the Company, respectively on the Hong Kong Stock Exchange and the website of the SSE.

Section VII Significant Events

For the year ended December 31, 2016, the approved annual caps and the amounts of transactions incurred in relation to non-exempt continuing connected transactions under the framework agreements between the Company and Fujian Triplex Auto Services Co., Ltd. and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transactions in 2016	Consolidated amount of transactions in 2016
Expenses of the Company arising from products supplied by Fujian Triplex Auto Services Co., Ltd. and/or its associates under the master distribution framework agreement	RMB500 million	RMB291.8654 million
Total	RMB500 million	RMB291.8654 million

N.J. The above annual caps were determined in accordance with purchase and sales plans of the Company and Fujian Triplex Auto Services Co., Ltd., and market fair price of the relevant products to be purchased.

5. On October 29, 2016, the Company and Fuzhou Fuyao Mold Technology Co., Ltd. entered into a supply of goods framework agreement to purchase molds and gauges; the Company and Fujian Triplex Auto Parts Development Co., Ltd. entered into a supply of goods framework agreement to purchase certain raw and auxiliary materials for production; the Company and Fujian Triplex Auto Services Co., Ltd. entered into a master distribution framework agreement, under which the Company has authorized Fujian Triplex Auto Services Co., Ltd. to use its trademark and brand without payment and supplied Fujian Triplex Auto Services Co., Ltd. with products; the Company and Fujian Triplex Auto Parts Development Co., Ltd. entered into a product purchase framework agreement to sell products. The terms of the above agreement are all from January 1, 2017 to December 31, 2017. For details of the terms and conditions, please refer to the announcement titled "Further Announcement on the Continuing Connected Transactions under the Fuzhou Mold Supply of Goods Framework Agreement and the Triplex Auto Services Master Distribution Framework Agreement" and "Continuing Connected Transactions under 2017 Supply of Goods Framework Agreements and 2017 Distribution Agreements" disclosed on October 31, 2016 and April 19, 2016 by the Company, respectively on the Hong Kong Stock Exchange and the website of the SSE.

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

- entered into in the ordinary course of business of the Company;
- on normal commercial terms or, if the comparable transactions are not sufficient for determining whether the terms of such transactions are on normal commercial terms, on terms no less favorable to the Group than the terms available to or from independent third parties (as the case may be); and
- conducted in accordance with the terms of the agreements for relevant transactions and the terms of the transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board of Directors of the Company has received a confirmation letter in relation to the above continuing connected transactions from PricewaterhouseCoopers, the auditor of the Company, confirming with respect to the above continuing connected transactions as at December 31, 2016 that:

- 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;

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

(II) Connected transactions in relation to ordinary business operations (disclosed in accordance with the requirements of the SSE)

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

Description of the matter	Inquiry index
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<p>The R C F M H 2015 2016</p> <p>was considered and approved at the fifth meeting of the eighth session of the Board of Directors of the Company convened on August 22, 2015.</p>	<p>P C C C</p>
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- (3) The Resolution of the Board of Directors of the Company to Lease Two Steel Structural Plants in Fujian Province, China for 2016 was considered and approved at the sixth meeting of the eighth session of the Board of Directors of the Company convened on October 26, 2015. The Company has leased two steel structural plants with a total area of 28,808m² at a monthly rent of RMB374,504, aggregating to an annual rent of RMB4,494,048. The term of the lease is one year from January 1, 2016 to December 31, 2016. For details, please refer to the Announcement of the Company dated October 27, 2015 as published on the website of the National Securities Exchange of Shanghai, the Shenzhen Stock Exchange, and on the websites of SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Upon confirmation by both parties, the total leased area has been adjusted from 28,808m² to 9,577m² and the monthly rent has been adjusted from RMB374,504 to RMB124,501 starting from January 1, 2016.

- (4) The Resolution of the Board of Directors of the Company to Lease Two Steel Structural Plants in Fujian Province, China for 2016 was considered and approved at the sixth meeting of the eighth session of the Board of Directors of the Company convened on October 26, 2015. For details, please refer to the Announcement of the Company dated October 27, 2015 as published on the website of the National Securities Exchange of Shanghai, the Shenzhen Stock Exchange, and on the websites of SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

In 2016, benefiting from the new product development of the Company, the production scale of the Company expanded. The Company expected that the procurement of raw and auxiliary materials from Fujian Hongxiacheng Automotive Parts Co., Ltd. will increase significantly in terms of both volume and amount. The Resolution of the Board of Directors of the Company to Lease Two Steel Structural Plants in Fujian Province, China for 2016 was considered and approved at the seventh meeting of the eighth session of the Board of Directors of the Company convened on March 19, 2016. For details, please refer to the Announcement of the Company dated March 21, 2016 as published on the website of the National Securities Exchange of Shanghai, the Shenzhen Stock Exchange, and on the websites of SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

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Connected transactions in relation to the daily operations in 2016 are as below:

Unit: 0'000 CNY : RMB

Connected party	Connected relationship	Nature of the connected transaction	Details of the connected transaction	Pricing principle of the connected transaction	Estimated amounts in 2016	Actual amounts in 2016	Settlement method of the connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Purchase of goods and equipment	Procurement of raw materials	Market price	14,000.00	9,462.88	30 days upon the invoice date
Fujian Hongxiacheng Automotive Parts Co., Ltd.	Joint venture	Purchase of goods and equipment	Procurement of raw materials	Market price	7,000.00	3,709.70	60 days upon the invoice date
Ningbo Hongxiacheng Automotive Parts Co., Ltd.	Joint venture	Purchase of goods and equipment	Procurement of raw materials	Market price	6,000.00	5,890.41	60 days upon the invoice date
Chongqing Hongxiacheng Automotive Parts Co., Ltd.	Others	Purchase of goods and equipment	Procurement of raw materials	Market price	2,000.00	1,457.81	60 days upon the invoice date
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Purchase of goods and equipment	Procurement of raw materials	Market price	8,500.00	2,730.35	60 days upon the invoice date
Fuyao Group Shuangliao Co., Ltd.	Associate	Purchase of goods and equipment	Procurement of raw materials	Market price	700.00	149.06	60 days upon the invoice date
Fujian Hongxiacheng Automotive Parts Co., Ltd.	Joint venture	Purchase of goods and equipment	Procurement of finished goods	Market price	2,000.00	565.32	60 days upon the invoice date
Fujian Triplex Machinery Technology Co., Ltd.	Others	Purchase of goods and equipment	Purchase of equipment	Market price	12,000.00	10,894.03	Prepaid 25% of the total amount upon signing the contract
Fuzhou Fuyao Mold Development Co., Ltd.	Others	Purchase of goods and equipment	Procurement of molds and gauges	Market price	20,000.00	10,511.95	Prepaid 25% of the total amount upon signing the contract
Fujian Hongxiacheng Automotive Parts Co., Ltd.	Joint venture	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	750.00	203.73	60 days upon the invoice date
Hunan Jierui Automobile Glass Co., Ltd.	Others	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	300.00	107.55	Payment for the previous month by the 20th of each month
Hubei Jierui Automobile Glass Co., Ltd.	Others	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	1,000.00	416.08	Payment for the previous month by the 20th of each month
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	1,700.00	723.54	45 days upon the invoice date
Fujian Triplex Auto Services Co., Ltd.	Others	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	50,000.00	29,186.54	Invoicing each month with a credit period of 3 months

Section VII Significant Events

Connected party	Connected relationship	Nature of the connected transaction	Details of the connected transaction	Pricing principle of the connected transaction	Estimated amounts in 2016	Actual amounts in 2016	Settlement method of the connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sale of goods	Sale of raw and auxiliary materials	Market price	20.00	16.28	60 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	130.00	86.04	30 days upon the invoice date
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	80.00	61.22	30 days upon the invoice date
Fujian Triplex Machinery Technology Co., Ltd.	Others	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	25.00	14.45	30 days upon the invoice date
Fuzhou Fuyao Mold Development Co., Ltd.	Others	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	50.00	22.37	30 days upon the invoice date
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Other inflows	Revenue from property leasing	Market price	449.40	142.29	Before the 15th day of the next month after settlement
Fujian Triplex Machinery Technology Co., Ltd.	Others	Other inflows	Revenue from property leasing	Market price	171.60	163.43	Before the 15th day of the next month after settlement
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from property leasing	Market price	6.62	5.97	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from management consultation	Agreed price	300.00	198.73	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	2,157.20	2,092.56	Settlement semiannually
Total					129,339.82	78,812.29	

Notes:

- (1) Fujian Triplex Auto Parts Development Co., Ltd. has changed its name to Fujian Triplex Auto Decoration Co., Ltd.
- (2) Fuyao Group Shuangliao Co., Ltd. has changed its name to Jinken Glass Industry Shuangliao Co., Ltd.

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(III) Connected transaction arising from the acquisition and disposal of assets or equity interests

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

Description of the matter

According to the strategic development plan of the Company and in order to consolidate its resources to develop its core business of automotive glass and foster the fine-tuning and optimization of its asset structure, the Company and Fujian Wanda Automobile Glass Industry Co., Ltd. (a wholly-owned subsidiary of the Company), sold 100% equity interests in aggregate in Fuzhou Fuyao Mold Technology Co., Ltd. held by them to Fujian Triplex Industrial Development Co., Ltd. at a consideration of approximately RMB68.8267 million. On March 31, 2016, Fuzhou Fuyao Mold Technology Co., Ltd. had completed the business registration procedures of the above equity transfer.

Inquiry index

For details, please refer to the Annual Report 2016 of the Company, the Circular of the Company dated March 21, 2016 as published on the website of the Company, the website of the SSE (<http://www.sse.com.cn>) and the Annual Report 2016 of the Company, the Circular of the Company dated March 21, 2016 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Section VII Significant Events

VII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

(I) Guarantee

Unit: 0'000 CNY; 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 to subsidiaries during the Reporting Period	80,901.50
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	165,677.00

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

Total amount of guarantees (A+B)	165,677.00
Total amount of guarantees as a percentage of the net assets of the Company (%)	9.19
Including:	
The amount of guarantees offered to the shareholders, de facto controller and connected parties (C)	0
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	0
The amount of guarantees in excess of 50% of net assets (E)	0
The sum of the three items above (C+D+E)	0

Explanation on guarantee

Foreign currencies are translated into RMB based on the exchange rates announced by the People's Bank of China as at December 30, 2016

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(II) Cash and Assets Management by Entrusting

1. Entrusted wealth management

Unit: million RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Expiry date of entrusted wealth management	Method for determination of returns	Principal amount actually recovered	Through Gains actually received	a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not
CGB Fuzhou Branch	Principal guaranteed with floating returns	70,000,000.00	March 24, 2016	June 24, 2016	2.5%~3.5%	70,000,000.00	617,534.25	Yes	0	No	No
Bank of Communications Fuzhou Hualin Branch	Returns guaranteed	110,000,000.00	March 28, 2016	June 28, 2016	3.65%	110,000,000.00	1,012,000.00	Yes	0	No	No
Bank of Communications Fuzhou Hualin Branch	Returns guaranteed	120,000,000.00	April 5, 2016	July 6, 2016	3.65%	120,000,000.00	1,104,000.00	Yes	0	No	No
Bank of Communications Fuzhou Hualin Branch	Returns guaranteed	80,000,000.00	April 11, 2016	July 12, 2016	3.65%	80,000,000.00	736,000.00	Yes	0	No	No
CGB Fuzhou Branch	Principal guaranteed with floating returns	200,000,000.00	April 14, 2016	July 14, 2016	2.6%~3.5%	200,000,000.00	1,745,205.48	Yes	0	No	No
CGB Fuzhou Branch	Principal guaranteed with floating returns	200,000,000.00	June 28, 2016	September 28, 2016	2.6%~3.5%	200,000,000.00	1,764,383.56	Yes	0	No	No
CGB Fuzhou Branch	Principal guaranteed with floating returns	170,000,000.00	July 14, 2016	October 14, 2016	2.6%~3.5%	170,000,000.00	1,499,726.03	Yes	0	No	No
Bank of Communications Fuzhou Hualin Branch	Returns guaranteed	200,000,000.00	August 1, 2016	November 1, 2016	3.40%	200,000,000.00	1,713,972.60	Yes	0	No	No
Bank of China Fuzhou Branch	Returns guaranteed	200,000,000.00	July 27, 2016	December 27, 2016	3.20%	200,000,000.00	2,682,739.73	Yes	0	No	No
Total	/	1,350,000,000.00	/	/	/	1,350,000,000.00	12,875,561.65	/	/	/	/
Principal and accumulated returns overdue but yet to be recovered (RMB)											0
Explanation on entrusted wealth management						None of the above entrusted wealth managements engagements constitutes a connected transaction. The Company neither made provisions for the impairment of entrusted wealth management nor was involved in any litigation. As at the disclosure date of this report, there is no principal or returns overdue but yet to be recovered.					

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VIII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty Alleviation by the Listed Company

1. Targeted Poverty Alleviation Planning

Under the guidance of the Company's core corporate concept of "self-development while benefiting the world", Fuyao Group has always been creating values for shareholders and wealth for customers; meanwhile, engaging in public services, caring for the lives of vulnerable groups and people in difficulties and earnestly fulfilling its social responsibility in order to promote the advancement and harmonious development of communities, business and the regional economy. Besides, the Company has also actively participated in various social welfare activities.

1. Targeted Poverty Alleviating

Section VII Significant Events

3. Statistical Table of 2016 Targeted Poverty Alleviation by the Listed Company

Unit: 0'000 CNY; Unit: RMB

Index	Number and implementation information
I. General information	
Including: 1. Fund	3,000
2. Number of poor people helped to be removed from administrative record for poverty registering (Person)	Nearly 9,000
II. Itemized input	
1. Poverty alleviation through industrial development	<ul style="list-style-type: none"> ✓ Poverty alleviation through agriculture and forestry Poverty alleviation through tourism Poverty alleviation through E-commerce Poverty alleviation through assets income Poverty alleviation through science and technology Others
Including: 1.1 Type of industrial poverty alleviation projects	
1.2 Number of industrial poverty alleviation projects	32
1.3 Amount invested in industrial poverty alleviation projects	3,000
1.4 Number of poor people helped to be removed from administrative record for poverty registering (Person)	Nearly 9,000

Notes: The above data are related to targeted poverty alleviation activities carried out by Heren Charitable Foundation that was established via 300 million shares of Fuyao Glass Industry Group Co. Ltd. held by Mr. Cho Tak Wong.

4. Follow-Up Targeted Poverty Alleviation Planning

Fuyao Group will, in accordance with the core corporate concept of “self-development while benefiting the world”, continue creating values for shareholders and wealth for customers; meanwhile, engaging in public services, caring for the lives of vulnerable groups and people in difficulties and earnestly fulfilling its social responsibility in order to promote the advancement and harmonious development of communities, business and the regional economy.

(II) Social responsibility

For details, please refer to the 2016 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. as published on the websites of SSE (<http://www.sse.com.cn>) and Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Section VIII Changes in Ordinary Shares and Information of Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Table of Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

During the Reporting Period, there was no change in the total number of ordinary shares and the

Section VIII Changes in Ordinary 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

Name of shareholder (Full name)	Increase/decrease during the Reporting Period	Particulars of top 10 shareholders			Number of shares held with selling restrictions	Pledged or moratorium		Nature of shareholders
		Shareholding at the end of the Reporting Period	Percentage	Status of shares		Number		
							(%)	
HKSCC NOMINEES LIMITED (N.L.)	118,800	505,580,800	20.15	Unknown		Unknown	Unknown	
Sanyi Development Limited	0	390,578,816	15.57	Nil		Overseas legal person		
Heren Charitable Foundation	0	290,000,000	11.56	Nil		Domestic non-stateowned legal person		
Hong Kong Securities Clearing Company Limited	107,249,812	253,991,148	10.12	Unknown		Unknown	Unknown	
TEMASEK FULLERTON ALPHA PTE LTD	0	38,653,598	1.54	Unknown		Unknown	Unknown	
China Securities Finance Corporation Limited	-25,573,588	34,486,069	1.37	Unknown		Unknown	Unknown	
Fujian Yaohua Industrial Village Development Co., Ltd.	0	34,277,742	1.37	Pledged	22,340,000	Domestic non-stateowned legal person		
Central Huijin Asset Management Ltd	0	24,598,300	0.98	Unknown		Unknown	Unknown	
Bai Yongji	5,092,488	22,570,307	0.90	Unknown		Domestic natural person		
Canada Pension Plan Investment Board – Own Funds	22,441,781	22,441,781	0.89	Unknown		Unknown	Unknown	

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED (N.L.)	505,580,800	Overseas listed foreign shares	505,580,800
Sanyi Development Limited	390,578,816	Ordinary shares dominated in RMB	390,578,816
Heren Charitable Foundation	290,000,000	Ordinary shares dominated in RMB	290,000,000
Hong Kong Securities Clearing Company Limited	253,991,148	Ordinary shares dominated in RMB	253,991,148
TEMASEK FULLERTON ALPHA PTE LTD	38,653,598	Ordinary shares dominated in RMB	38,653,598
China Securities Finance Corporation Limited	34,486,069	Ordinary shares dominated in RMB	34,486,069
Fujian Yaohua Industrial Village Development Co., Ltd.	34,277,742	Ordinary shares dominated in RMB	34,277,742
Central Huijin Asset Management Ltd.	24,598,300	Ordinary shares dominated in RMB	24,598,300

Section VIII Changes in Ordinary Shares and Information of Shareholders

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
Bai Yongli	22,570,307	Ordinary shares dominated in RMB	22,570,307
Canada Pension Plan Investment Board – Own Funds	22,441,781	Ordinary shares dominated in RMB	22,441,781
Explanations on the connected relationship or parties acting in concert among the above shareholders	The de facto controllers of Sanyi Development Ltd. and Fujian Yaohua Industrial Village Development Co., Ltd. are members of the same family. 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		

Section VIII Changes in Ordinary Shares and Information of Shareholders

Save as disclosed above, as at December 31, 2016, 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.

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

As at December 31, 2016, 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 ⁽⁶⁾ (%)	Class of shares
Chan Fung Ying ⁽¹⁾	Spouse interest/interest of controlled corporation	437,257,991 (L)	21.83 (L)	17.43 (L)	A share
Sanyi Development Limited	Beneficiary owner	390,578,816 (L)	19.50 (L)	15.57 (L)	A share
Heren Charitable Foundation	Beneficiary owner	290,000,000 (L)	14.48 (L)	11.56 (L)	A share
Commonwealth Bank of Australia ⁽²⁾	Interest of controlled corporation	56,576,000 (L)	11.19 (L)	2.26 (L)	H share
Matthews International Capital Management, LLC	Investment manager	65,399,200 (L)	12.93 (L)	2.61 (L)	H share
JPMorgan Chase & Co. ⁽³⁾	Beneficiary owner/ investment manager/ custodian	40,232,518 (L) 2,836,300 (S) 21,048,018 (P)	7.95 (L) 0.56 (S) 4.16 (P)	1.60 (L) 0.11 (S) 0.84 (P)	H share
Citigroup Inc. ⁽⁴⁾	Interest of controlled corporation/custodian	26,290,066 (L) 5,414,050 (S)	5.20 (L) 1.07 (S)	1.05 (L) 0.22 (S)	H share
Mawer Investment Management Ltd.	Investment manager	18,224,416 (P) 25,317,585 (L)	3.60 (P) 5.01 (L)	0.73 (P) 1.01 (L)	H share

Notes:

- (1) Ms. Chan Fung Ying indirectly holds 34,277,742 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua"), of which, 22,340,000 A shares (L) were pledged to China Merchants Securities Co., Ltd. by Yaohua. In addition, she was deemed to have interests in 402,980,249 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) As First State Investments (Hong Kong) Ltd. and First State Investment Management (UK) Limited, the entities controlled by Commonwealth Bank of Australia, held 56,576,000 H shares (L) of the Company in aggregate, Commonwealth Bank of Australia was deemed to have interests in the shares of the Company held by such entities.

Section VIII Changes in Ordinary Shares and Information of Shareholders

- (3) JPMorgan Chase & Co. held 40,232,518 H shares (L), 2,836,300 H shares (S) and 21,048,018 H shares (P) of the Company through multiple entities under its control. In addition, 1,656,000 H shares (L) and 83,600 H shares (S) related to derivatives, namely the unlisted derivatives – physically settled.
- (4) Citigroup Inc. held 26,290,066 H shares (L), 5,414,050 H shares (S) and 18,224,416 H shares (P) of the Company through multiple entities under its control. In addition, 700,000 H shares (S) related to derivatives, namely the unlisted derivatives – physically settled; and 2,385,850 H shares (L) related to derivatives, namely the unlisted derivatives – cash settled.
- (5) The percentage is based on the issued number of the relevant class of shares/total issued shares of the Company as at December 31, 2016.
- (6) (L) – long position, (S) – short position, (P) – lending pool

Save as disclosed above, as at December 31, 2016, 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.

IV. PARTICULARS OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

1 Legal person

Name	Sanyi Development Ltd.
Legal representative	Cai Youchao
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

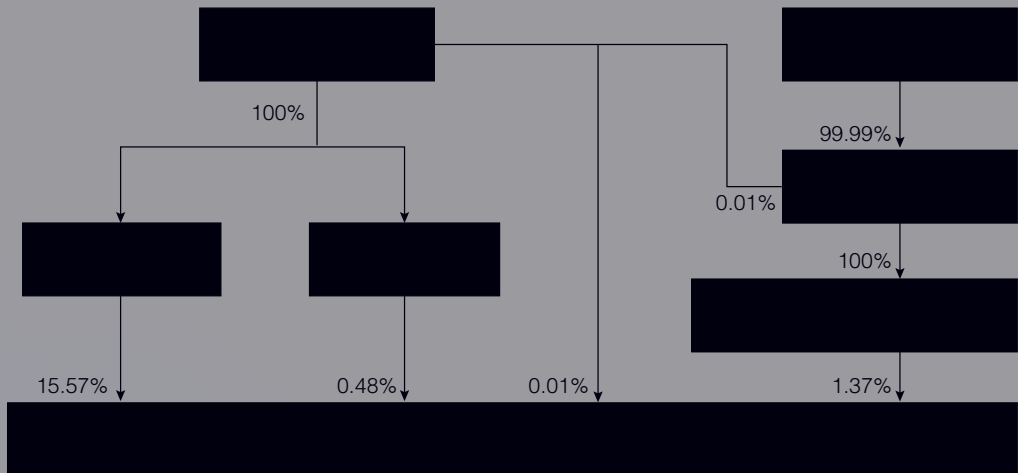
Section VIII Changes in Ordinary Shares and Information of Shareholders

(II) De facto controller

1 Natural person

Name	Cho Tak Wong
Nationality	Hong Kong, China
Whether has acquired rights of residence in other countries or areas	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. He 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 several positions in many organizations, including as a member of the National Committee of the 12th Chinese People's Political Consultative Conference, the executive vice president of the China Overseas Chinese Entrepreneurs Association, a vice president of the China Society for Promotion of the Guangcai Program, a vice president of the Fujian Province Enterprise and Entrepreneurs Association and an honorary president of the Fujian Charity Federation. He also serves as directors of Sanyi Development Limited, Home Bridge Overseas Limited and Trade Commerce Limited.
Companies listed domestically or overseas in the past 10 years	Nil

2 The interests and controlling relationships between the Company and the de facto controller



Section VIII Changes in Ordinary Shares and Information of Shareholders

V. OTHER LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDING OF OVER 10%

人民币 : RMB

Name of legal person shareholder	Legal representative	Date of establishment	Unified social credit code	Registered capital	Principal business or management events
Heren Charitable Foundation	Cao Degan	2010-06-07	53100000500021799L	20,000,000	Helping the poor, infrastructure construction, disease prevention

Details As at the end of the Reporting Period, except HKSCC NOMINEES LIMITED and Hong Kong Securities Clearing Company Limited, Heren Charitable Foundation is the only legal person shareholder that holds more than 10% of the issued share capital of the Company.

Section IX Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in shareholding of current and resigned directors, supervisors

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Cho Tak Wong	<p>Mr. Cho Tak Wong has served as the executive director and chairman of the Board of Directors of the Company since August 1999. He 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 the subsidiaries of the Company and certain positions in many organizations, including a member of the National Committee of the 12th Chinese People's Political Consultative Conference, the executive vice president of the China Overseas Chinese Entrepreneurs Association, a vice president of the China Society for Promotion of the Guangcai Program, a vice president of the Fujian Province Enterprise and Entrepreneurs Association and an honorary president of the Fujian Charity Federation. He also serves as a director of Sanyi Development Limited, Home Bridge Overseas Limited and Trade Commerce Limited. Mr. Cho 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. He worked at Fuqing County Gaoshan Special Shaped Glass Factory, a company primarily engaged in glass manufacturing business, from 1976 to June 1987.</p>
Tso Fai	<p>Mr. Tso Fai served as an executive director of the Company from August 1998 to August 2015 (has been reassigned as a non-executive director since August 2015), and 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. He is also a director of a majority of subsidiaries of the Company and serves certain positions in many organizations, including as a member of the Fujian Province Committee of the 11th Chinese People's Political Consultative Conference, a vice president of the Youth Committee of the China Overseas Chinese Entrepreneurs Association, a vice president of the Chamber of Commerce of the Fujian Industry and Commerce Association, a vice president of the China Society for Promotion of the Guangcai Program and an honorary vice president of the Fujian Red Cross. Mr. Tso currently also serves as a director of Fujian Yaohua Industrial Village Development Co., Ltd, Chopline Limited and Trade Commerce Limited and Triplex Holdings Management Co., Ltd. (三鋒控股管理有限公司), a chairman and president of Fujian Triplex Machinery Technology Co., Ltd. and Fujian Triplex Auto Services Co., Ltd., and an executive director and president of Fujian Triplex Auto Decoration Co., Ltd. (福建三鋒汽車飾件有限公司), Fujian Triplex Holdings Group Co., Ltd. (福建三鋒控股集團有限公司) and Fuzhou Fuyao Mold Technology Co., Ltd.. Mr. Tso 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 from March 1994 to June 1996 and president of Sanyi Development Limited from June 1992 to February 1994. He joined the Company in November 1989. Mr. Tso received a master's degree in business administration from Baker College in the United States in December 2005. Mr. Tso 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 a substantial shareholder of the Company, and the nephew of He Shimeng, a deputy general manager of the Company.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Chen Xiangming	Mr. Chen Xiangming has served as an executive director of the Company since February 2003, the chief financial officer since August 2015, secretary to the Board of Directors from October 2012 to March 2016 and joint company secretary since October 2014. He currently also serves as a director of a majority of the subsidiaries of the Company. Mr. Chen served as the manager of the accounting department of the Company from February 2002 to December 2002. He 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 was the manager of the finance department of the Company from October 1994 to June 1998. He joined the Company in February 1994. Mr. Chen 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

Section IX Directors, Supervisors, Senior Management and Employees

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 a member of the Consulting Committee of Securities Association of China. Ms. Zhu served as the chairman of the board of directors of Xiamen Deyi Equity Investment Management Co., Ltd. since July 2016. She has served as an independent non-executive director of Hunan TV & Broadcast Intermediary Co., Ltd. (Stock code: 000917) (listed on the Shenzhen Stock Exchange) since August 2016, Bright Dairy & Food Co., Ltd. (Stock code: 600597) (listed on SSE) since April 2015, and China Yongda Automobiles Service Holdings Limited (Stock code: 3669) (listed on the Hong Kong Stock Exchange) since May 2015. Ms. Zhu served as the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd. from December 2010 to June 2016, as the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, from July 2008 to December 2010 and president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), a company primarily engaged in investment banking, securities investment consultancy and stock brokerage services, from June 2003 to May 2008. Ms. Zhu obtained a bachelor's degree in literature from Xiamen University in May 1982, a master's degree in business administration from Pace University in the United States in June 1992 and a doctorate in economics from Xiamen University in September 2013.</p>
Cheng Yan	<p>Ms. Cheng Yan has served as an independent non-executive director of the Company since November 2011 and the chief executive officer and executive director of China Innovative Finance Group Limited (a company listed on the Hong Kong Stock Exchange, Stock code: 0412) since December 2016. She has been serving as a vice CEO of China Huarong International Holdings Limited from December 2015 to December 2016, chairman of the board, executive director, chairman of operation committee and member of the nomination and corporate governance committee of Huarong International Finance Holdings Limited (a company listed on the Hong Kong Stock Exchange, Stock code: 0993, formerly known as Simsen International Corporation Limited) from October 2015 to November 2015, deputy director of the economic committee of the China Democratic League Central Committee since January 2012, and managing director, executive head of the global customer center and vice chairman of the investment banking division of BOCI Holdings Limited from January 2014 to September 2015. During the period from March 2006 to December 2013, Ms. Cheng worked for BOCI Asia Limited, a subsidiary of the Bank of China Limited specializing in investment banking and held the positions of managing director, vice chairman of the investment banking division and the global high-end customers/market department from January 2013 to December 2013, the positions of managing director, supervisor of natural resources division and vice chairman of the investment banking division from April 2008 to December 2012, and the positions of executive director of the investment banking division and mining and resources supervisor of BOCI Asia Limited from March 2006 to March 2008. Ms. Cheng was chief representative of the Beijing office of South China Brokerage Co., Ltd. (currently known as South China Financial Holdings Limited), a company specializing in finance and investment, from April 2004 to April 2005, vice president of the strategic investment department of Hong Kong Golden Concord Power Investment Group, a company primarily engaged in energy business from August 2003 to April 2004, director and vice president of Shenzhen Jinling Investment Co., Ltd., a company primarily engaged in the businesses of investment consultancy, financial advisory and technical development services and import and export trading, from August 2001 to July 2003, and vice president of Qinghai Qingtai Trust Investment Co., Ltd. (now known as Minmetals International Trust Co., Ltd.), a non-banking company approved by the People's Bank of China which specializes in commercial trusts and investments from January 1999 to August 2001. Ms. Cheng received a bachelor's degree in economics from Anhui Institute of Finance and Economics in December 1993 and an executive master degree of business administration from Peking University in January 2005.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Chen Mingsen	<p>Mr. Chen Mingsen has served as a supervisor of the Company since March 2015. Mr. Chen has been the dean and professor of the Institute of Industry and Corporate Development of the Fujian Provincial Committee Party School since May 2005, a consultant of the Fujian Provincial People's Government since March 2000, the president of the Fujian Province Institute of Economic Researches on Securities since June 1998, an adjunct professor of the School of Economics and Management of Fuzhou University since May 1995 as well as of the School of Economics and Finance of HuaQiao University since November 2005. He has served as an independent non-executive director of Fujian Nanping Sun Cable Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock code: 002300) since May 2016. He is also an independent non-executive director of Guomai Technologies, Inc., a company listed on the Shenzhen Stock Exchange (Stock code: 002093). Mr. Chen served as an independent non-executive director of Fujian Sanmu Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock code: 000632) until May 2016. Mr. Chen obtained a master's degree in economics from Fujian Normal University in December 1981.</p>
Zuo Min	<p>Mr. Zuo Min has served as the president of the Company since August 2015, and served as the chief financial officer of the Company from November 2014 to August 2015. He joined the Company in July 1989. He served as various positions of the Company, including the general manager of the audit supervision department of the Company from December 2007 to March 2008, a director from December 1994 to January 2003, a vice president from August 1999 to January 2003, the chief financial officer from December 1994 to August 1999 and from February 2002 to January 2003, the chief accountant from January 1994 to December 1994, a financial manager from August 1992 to January 1994 and a purchasing manager from October 1990 to August 1992. Mr. Zuo was an executive director of Hubei Jierui Automobile Glass Co., Ltd. from June 2007 to January 2014. He has been a director of Ningxia Shaquan Grape Vintage Limited from July 2014 to May 2016. Mr. Zuo graduated with a bachelor's degree in chemistry and mechanism from Fushun Petroleum Institute in July 1989, and a master's degree in business administration from Xiamen University in January 2000. He graduated from Fudan University with doctorate-equivalent qualification in accounting in June 2008.</p>
He Shimeng	<p>Mr. He Shimeng has served as a deputy general manager of the Company since August 1999. He served as the general manager of production department of the Company from March 1995 to November 1999, the deputy general manager 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 joined the Company in July 1988. Mr. He 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 Cho Tak Wong.</p>
Chen Juli	<p>Mr. Chen Juli has served as a deputy general manager of the Company since February 2002. He joined the Company in July 1989. Mr. Chen has also served as 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 served various positions in the Group, including as vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 1995 to August 1997. Mr. Chen served as 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 also served as the director of the Company from December 1994 to July 2001. Mr. Chen graduated from Beijing University of Aeronautics and Astronautics in July 1989, majoring in management information systems and earning a bachelor's degree in engineering.</p>

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Huang Xianqian	Mr. Huang Xianqian has served as a deputy general manager of the Company since August 2015. He joined the Company in September 1990. He has served various positions in the Company including the director of the operation department of the Company and assistant to the president since February 2011, and the general manager of Guangzhou Fuyao Glass Co., Ltd. from June 2008 to February 2011, deputy general manager of the commerce department of the Company from May 2003 to June 2008. Since he joined the Company in September 1990, he has worked for positions in connection with quality, engineering 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.
Sun Yiqun	Ms. Sun Yiqun has served as the deputy general manager of the Company since August 2016, and served as an assistant to the chairman of the Company since July 2014. She was the general manager of Shanghai International Automobile City Auto Parts Industrial Zone Co., Ltd. (上海國際汽車城零部件配套工業園區有限公司) from August 2003 to June 2014, the manager of administration department at Shanghai headquarter of Capital-Bridge Securities Co., Ltd. (健橋證券股份有限公司) from April 2002 to August 2003, the head of Shanghai office of Henry Global Consulting Service Ltd. from March 2000 to April 2002, and the manager of merchant department of Shanghai International Automobile City Auto Parts Industrial Zone Co., Ltd. (上海國際汽車城零部件配套工業園區有限公司) from September 1998 to March 2000. Ms. Sun Yiqun graduated with a bachelor degree in non-metallic matrix composites from National University of Defense Technology in July 1984. Ms. Sun Yiqun obtained the qualification of engineer as approved by Jiading District Shanghai Engineering Professional Intermediate Title First Review and Adjudication Board in October 1993.
Li Xiaoxi	Ms. Li Xiaoxi has served as the secretary to the board of directors of the Company since March 2016. She joined the Company in August 2015. She served as the brand manager of branding department, deputy general manager of VIP department and deputy general manager of marketing department at Beijing Capital Airlines Co., Ltd. (Deer Jet) from February 2012 to August 2015, and the director of integrated marketing department of Brighten Culture Media (Beijing) Co., Ltd. (formerly known as Beijing HNA Xinhua Cultural Communication Co., Ltd.) from May 2011 to February 2012. Ms. Li Xiaoxi graduated with a bachelor degree in marketing from the University of Ottawa in May 2006 and a M.A. degree in journalism from Sichuan University in June 2010.
Yang Chun-Han	Mr. Yang Chun-Han served as the deputy general manager of the Company from March 2016 to July 2016. He was the chief financial officer, senior deputy general manager of strategy and the spokesman of Sunspring Metal Corporation (橋樑金屬股份有限公司, a company listed on the Taiwan Stock Exchange, Stock code: 2062) from September 2014 to February 2016, the chief strategy officer and the spokesman of Elitegroup Computer Systems Co., Ltd. (精英電腦股份有限公司, a company listed on the Taiwan Stock Exchange, Stock code: 2331) from July 2012 to February 2014. From January 2010 to February 2012, he was the head of the stock market research department of Taiwan Region of Daiwa Capital Markets, and from June 2005 to May 2009, he was a vice general manager for Asian high technology industry research of Lehman Brothers Holdings Inc./Nomura Securities Co., Ltd.. Mr. Yang Chun-Han graduated from National Taiwan University with a bachelor's degree in finance in May 1991 and a MBA from the Fuqua School of Business of Duke University in May 1995.

Section IX Directors, Supervisors, Senior Management and Employees

II. POSITION OF EXISTING AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) 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	Sanyi Development Limited	Director	June 10, 2016	June 10, 2017
Cho Tak Wong	Home Bridge Overseas Limited	Director	July 21, 2016	July 21, 2017
Tso Fai	Fujian Yaohua Industrial Village Development Co., Ltd.	Director	September 1, 2016	September 1, 2020
Wu Shinong	Heren Charitable Foundation	Council member	December 9, 2015	December 9, 2020
Zhu Dezhen	Heren Charitable Foundation	Council member	December 9, 2015	December 9, 2020

Details of positions in shareholder entities As of 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.

(II) 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	October 28, 2016	October 28, 2017
Tso Fai	Chopline Limited	Director	August 25, 2016	August 25, 2017
Tso Fai	Trade Commerce Limited	Director	October 28, 2016	October 28, 2017
Tso Fai	Triplex Holdings Management Co., Ltd.	Director	May 13, 2015	
Tso Fai	Fujian Triplex Machinery Technology Co., Ltd.	Chairman of the Board of Directors and President	July 10, 2015	July 10, 2018
Tso Fai	Fujian Triplex Auto Decoration Co., Ltd.	Executive Director and President	August 19, 2015	August 19, 2018
Tso Fai	Fujian Triplex Holdings Group Co., Limited	Executive Director and President	November 16, 2015	November 16, 2018
Tso Fai	Fuzhou Fuyao Mold Technology Co., Ltd.	Executive Director and President	March 20, 2016	March 19, 2019
Tso Fai	Fujian Triplex Auto Services Co., Ltd.	Chairman of the Board of Directors and President	February 2, 2016	
Wu Shinong	Xiamen ITG Group Co., Ltd.	Independent non-executive Director	May 6, 2014	May 6, 2017

Section IX Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Wu Shinong	Midea Group Company Limited	Independent non-executive Director	September 18, 2015	September 18, 2018
Zhu Dezhen	Xiamen De Yi Equity Investment Management Limited	Chairman of the Board of Directors	July 1, 2016	
Zhu Dezhen	Bright Dairy & Food Co., Ltd.	Independent non-executive Director	April 17, 2015	April 17, 2018
Zhu Dezhen	China Yongda Automobiles Service Holdings Limited	Independent non-executive Director	May 8, 2015	May 8, 2018
Zhu Dezhen	Hunan TV & Broadcast Intermediary Co., Ltd.	Independent non-executive Director	August 11, 2016	August 11, 2019
Cheng Yan	China Innovative Finance Group Limited	Chief Executive Officer and Executive Director	December 9, 2016	
Liu Xiaozhi	ASL Automobile Science & Technology (Shanghai) Co., Ltd.	Founder and President	June 5, 2009	
Liu Xiaozhi	Autoliv Inc.	Independent non-executive Director	November 3, 2011	November 3, 2019
Wu Yuhui	YOUZU Interactive Co., Ltd.	Independent non-executive Director	October 30, 2014	October 30, 2017
Wu Yuhui	Holitech Technology Co., Ltd.	Independent non-executive Director	April 23, 2014	April 23, 2017
Wu Yuhui	Shenzhen Sunlord Electronics Co., Ltd.	Independent non-executive Director	October 13, 2014	October 13, 2017
Wu Yuhui	Autel Intelligent Technology Co., Ltd.	Independent non-executive Director	May 30, 2014	May 30, 2017
Chen Mingsen	Guomai Technologies, Inc.	Independent non-executive Director	February 19, 2016	February 19, 2019
Chen Mingsen	Fujian Nanping Sun Cable Co., Ltd.	Independent non-executive Director	May 6, 2016	May 6, 2019

Section IX Directors, Supervisors, Senior Management and Employees

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process of remunerations of directors, supervisors and senior management	The implementation is subject to the approval of the Board of Directors and the general meeting of the Company.
Basis for determination of remunerations of directors, supervisors and senior management	Basic salaries are combined with year-end performance bonus.
Actual amount of remunerations paid to directors, supervisors and senior management	Remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB28.0521 million (before tax). Please refer to “Changes in Shareholding of current and resigned directors, supervisors and senior management and their remunerations during the Reporting Period” in this section for details.
Total remunerations actually received by all directors, supervisors and senior management at the end of the Reporting Period	Actual remuneration paid to directors, supervisors and senior management of the Company for the year amounted to RMB28.0521 million (before tax). Please refer to “Changes in shareholding of current and resigned directors, supervisors and senior management and their remunerations during the Reporting Period” in this section for details.

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

Name	Position	Change	Reason for the change
Chen Xiangming ⁽¹⁾	Secretary to the Board of Directors	Resigned	The need of re-division of functions of the management of Company
Li Xiaoxi ⁽²⁾	Secretary to the Board of Directors	Appointed	Considered and approved at the seventh meeting of the eighth session of the Board of Directors
Yang Chun-Han ⁽²⁾	Vice President	Appointed	Considered and approved at the seventh meeting of the eighth session of the Board of Directors
Chen Jicheng ⁽³⁾	Executive Director, Vice President	Resigned	Personal reason
Yang Chun-Han ⁽⁴⁾	Vice President	Resigned	Personal reason
Sun Yiqun ⁽⁵⁾	Vice President	Appointed	Considered and approved at the ninth meeting of the eighth session of the Board of Directors

Section IX Directors, Supervisors, Senior Management and Employees

附註：

- (1) Due to the need of re-division of functions of the management of the Company, Mr. Chen Xiangming tendered his resignation as the secretary to the Board of Directors, to the Board of Directors on March 19, 2016, and the Board of Directors accepted the resignation letter tendered by Mr. Chen Xiangming. After Mr. Chen Xiangming resigning from the position of secretary to the Board of Directors, he remained as an executive director, the chief financial officer and a joint company secretary of the Company. Please refer to the announcement dated March 21, 2016 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.
- (2) On March 19, 2016, the appointments of Ms. Li Xiaoxi as the secretary to the Board of Directors and Mr. Yang Chun-Han as a vice president of the Company with a term of office commencing from the date of approval at the board meeting and ending on the date of expiry of the term of office of the eighth session of the Board of Directors, were considered and approved at the seventh meeting of the eighth session of the Board of Directors. Please refer to the announcement dated March 21, 2016 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.
- (3) On April 26, 2016, Mr. Chen Jicheng tendered his resignation from his position as the director and vice president of the Company to the Board of Directors due to personal reason, with effect from April 26, 2016. Please refer to the announcement dated April 28, 2016 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.
- (4) On July 26, 2016, Mr. Yang Chun-Han tendered his resignation from his position as a vice president of the Company to the Board of Directors due to personal reason, with effect from July 26, 2016. Please refer to the announcement dated July 27, 2016 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.
- (5) On August 27, 2016, the appointments of Ms. Sun Yi Qun as a vice president of the Company with a term of office commencing from the date of approval at the board meeting and ending on the date of expiry of the term of office of the eighth session of the Board of Directors, were considered and approved at the ninth meeting of the eighth session of the Board of Directors. Please refer to the announcement dated August 29, 2016 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.

V. CORE TECHNICAL TEAM OR KEY TECHNICAL STAFF OF THE COMPANY

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

Section IX Directors, Supervisors, Senior Management and Employees

VI. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

1. Ms. Zhu Dezhen, a non-executive director of the Company, was appointed as the chairman of the board of directors of Xiamen Deyi Equity Investment Management Co., Ltd. (廈門德屹股權投資管理有限公司) since July 2016, resigned as an president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd. (上海國和現代服務業股權投資管理有限公司) in June 2016, and acted as an independent non-executive director of Hunan TV & Broadcast Intermediary Co., Ltd. (湖南電廣傳媒股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock code: 000917) since August 2016.
2. Ms. Cheng Yan, an independent non-executive director of the Company, acted as the chief executive officer and executive director of China Innovative Finance Group Limited (中國新金融集團有限公司) (a company listed on the Hong Kong Stock Exchange, Stock code: 0412) since December 2016, and acted as a deputy chief executive of China Huarong International Holdings Limited (中國華融國際控股有限公司) from December 2015 to December 2016.
3. Mr. Chen Mingsen, a supervisor of the Company, resigned from Fujian Sanmu Group Co., Ltd. (福建三木集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock code: 000632) on May 2016, and acted as an independent non-executive 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) since May 2016.

Save as disclosed above, during the Report 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.

VII. PUNISHMENT BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

During the term of service as the chief financial officer of the Company, Mr. Zuo Min dealt with the A shares of the Company through the centralized bidding trading system of the SSE from February 27, 2015 to June 4, 2015, which constituted a short-swing trading (please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to Short-swing Trading of Senior Management dated June 5, 2015 published on the websites of the SSE and Hong Kong Stock Exchange), which violated the relevant requirements under the Article 47 of Securities Laws, the Article 12 of "Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof" issued by CSRC, and the Article 3.1.4 and the Article 3.1.6 of Rules Governing the Listing of Securities on the SSE. The SSE circulated a notice of criticism to Mr. Zuo Min.

VIII. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the company	1,716
Number of in-service employees of the major subsidiaries	24,393
Total number of in-service employees	26,109
The number of retired employees whose expenses are borne by the parent company and its major subsidiaries	0

Section IX Directors, Supervisors, Senior Management and Employees

Composition of professions

Type of profession	Number of staff
Production staff	19,402
Sales staff	927
Technical staff	3,169
Finance staff	253
Administrative staff	772
Other staff	1,586
Total	26,109

Education level

Type of education level	Number of persons
University graduates or above	3,503
College graduates	3,683
Specialized secondary school graduates and high school graduates	14,528
Below high school graduates	4,395
Total	26,109

(ii) 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 working. In addition, the

Section X Company Governance and Corporate Governance Report

I. COMPANY GOVERNANCE

During the Reporting Period, the Company strictly followed the Company Law, Securities Law, 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 Code on Corporate Governance Practices issued by the Hong Kong Stock Exchange. The general condition of the Company's corporate 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, the Rules of Procedure for General Meetings and the Implementation Rules for the Online Voting in General Meetings. During the Reporting Period, online voting was opened to shareholders to protect their legal rights and interests during the consideration of the Company's 2015 Profit Distribution Plans, the Company's 2015 Annual Report and Summary of the Annual Report, the Resolution in relation to the Public Issuance of Company Bonds to Eligible Investors. The convention and the resolution procedures in each of the general meetings were witnessed by lawyers in person and documents with legal opinions were delivered to ensure the resolutions were lawful and valid. During the Reporting Period, there was no occurrence of any insider trade of information among shareholders and people in possession of insider information, or any incident harming the interest of the shareholders or the Company.
2. **Relations between the Controlling Shareholders 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 shareholders exercised rights and assumed responsibilities as contributors of the Company 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 shareholders and the Company, no direct or indirect interference in the decision-making and operation activities of the Company by the controlling shareholders, no non-operation use of capital, and no request of being a guarantee for or by the controlling shareholders. The Board of Directors, the Board of Supervisors and internal management organizations all operated independently. The Company has established a long-term mechanism to avoid the controlling shareholders from non-operation 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. They also exercised rights and bore responsibilities in accordance with the laws, and were in strict compliance with the Articles of Association, Rules of Procedure for the Board of Directors and the requirements under relevant laws and regulations, in an honest and diligent manner. The Company adopted cumulative voting in electing the directors. When considering resolutions in relation to connected transactions, the connected shareholders 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 strict compliance with the Articles of Association, Rules of Procedure for the Board of Supervisors and the requirements under relevant laws and regulations. The supervisors earnestly performed their duties for the best interests of all shareholders with the spirit of being responsible to the shareholders, supervised the legality of the Company's financial position, disposal of assets, daily connected transactions, performance of directors and senior management, and protected the legal rights of the Company and the shareholders.
5. **Information Disclosure and Transparency:** The Company strictly complied with the listing rules of the exchanges where its shares are listed, and fulfilled the responsibilities of disclosure in a truthful, precise, complete and timely manner. Meanwhile, the Company also ensured the 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.

Section X Company Governance and Corporate Governance Report

6. **Investor Relationship and Stakeholders:** The Company emphasized 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, emphasized 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 System 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 system, the Company performed registration to record people associated with the inside information during the disclosure process of the Company's periodic reports. During the Reporting Period, no people possessing inside information traded the Company's shares in violation of the laws and regulations.

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, Securities Law, 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 of 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 CSRC. The Company has adopted the principles and code provisions set out in the Corporate Governance Code. During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code.

The general meeting, the Board of Directors and the Board of Supervisors all operated effectively in strict 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 set out in the Appendix 14 to the Hong Kong Listing Rules, please refer to the relevant parts in this annual report and "Section V Report of the Board of Directors" and "Section IX The Directors, Supervisors, Senior Management and Employees".

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 ("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.

III. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of publication of the resolution	Date of disclosure of the publication of resolution
2015 annual general meeting	May 20, 2016	The website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	May 21, 2016

Section X Company Governance and Corporate Governance Report

Information on the General meeting

Section X Company Governance and Corporate Governance Report

(III) Procedures for Putting Forward Enquiries to the Board of Directors and Relevant Contact Details

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.

The Company has disclosed its address, hotline for investor relationship, fax and email in the Company website and the periodic reports, and arranges 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.

(IV) Procedures for Proposing a Resolution to the General Meeting and Contact Details

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 publish particulars of the provisional proposals. The proposals shall be within the scope of power of the meeting, with clear agenda and resolutions, in compliance with relevant laws, regulations, administrative rules and the Articles of Association and shall be submitted or delivered in writing.

The notice of 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 on which shareholders have the right to attend the general meeting, and the names and telephone numbers of contact persons for the affairs of the meeting.

Please see the "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.

V. 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 which 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. Zuo Min is the president of the Company.

Section X Company Governance and Corporate Governance Report

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 determine their remunerations, rewards and punishments; appointing or dismissing the Company's vice president, chief financial officer and other senior executives and determine their remunerations, rewards and punishments according to the suggestion 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 duly formulate and review all types of corporate governance policies; encourage and supervise the training and continuing professional development of directors and 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 complying with all kinds of rules and regulations and employee manuals; supervise the Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules; and ensure full disclosure in accordance with relevant regulatory requirements regarding corporate governance in the annual report.

Each of the Directors also acknowledged their responsibilities for preparation of financial statements of the Company for the year ended December 31, 2016.

During the Reporting Period, the Board has evaluated and confirmed that the internal control system is effective and adequate.

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 in decision-making under the lead of the Board of Directors. The Committees may hire professional parties for independent 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 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, launched inspections and research over specific topics, strengthened the communication with the management, and timely addressed the critical issues.

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

Section X Company Governance and Corporate Governance Report

As at the end of the Reporting Period, the eighth session of the Board of Directors of the Company consists of eight members: Mr. Cho Tak Wong, Mr. Chen Xiangming as executive directors, Mr. Tso Fai, Mr. Wu Shinong and Ms. Zhu Dezhen as non-executive directors, and Mr. Wu Yuhui, Ms. Cheng Yan and Ms. Liu Xiaozhi as independent non-executive directors. Mr. Cho Tak Wong is the chairman of the Company's Board of Directors, and the term of his office is same as that of the eighth session of the Board of Directors. The Company will appoint Directors in accordance with the prescribed procedures as soon as possible so as to comply with the requirement on the composition of Board of Directors under the Articles of Association of the Company and will make announcements separately when appropriate.

Except the working relationship 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 and (2) Mr. He Shimeng 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 relations.

During the Reporting Period, the Board of Directors convened five meetings, considered and approved 50 resolutions.

(II) The Management

The president of the Company is responsible for the business operations and management of the Company and the implementation of resolutions of the Board of Directors, and shall report on his work to the Board of Directors. The Company shall have one president, four to six deputy general managers and one chief financial officer. The president shall be appointed or dismissed by the Board of Directors, while the deputy general managers, 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 business operations of the Company, implementing resolutions of the Board of Directors, and reporting his work to the Board of Directors; organizing the Company's annual business plans and investment plans; preparing the plan for the internal management setup of the Company; deciding on the basic management system of the Company; formulating the Company's specific rules; proposing to the Board of Directors to appoint or dismiss any vice president and chief financial officer; deciding to appoint or dismiss executives other than those appointed or dismissed by the Board of Directors and exercising other powers conferred by the Articles of Association or the Board of Directors.

In accordance with the requirements of the Board of Directors, the president shall timely provide to the Board of Directors important information including information of the Company relevant to the operation 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.

Section X Company Governance and Corporate Governance Report

VI. THE PERFORMANCE OF DUTIES OF THE DIRECTORS

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

Name of Directors	Whether he/she is an independent non-executive director	Number of meetings of the Board of Directors are 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 communication	Attendance rate (%)	Number of times of attendance by proxy	Number of absences	Whether he/she was absent for two consecutive meetings	Number of General Meetings attended	Attendance rate (%)
Cho Tak Wong	No	5	3	2	100	0	0	No	1	100
Tso Fai	No	5	3	2	100	0	0	No	1	100
Chen Xiangming	No	5	3	2	100	0	0	No	1	100
Chen Jicheng	No	2	1	1	100	0	0	No		
Wu Shinong	No	5	2	2	80	1	0	No		0
Zhu Dezhen	No	5	3	2	100	0	0	No		0
Cheng Yan	Yes	5	1	4	100	0	0	No	1	100
Liu Xiaozhi	Yes	5	3	2	100	0	0	No	1	100
Wu Yuhui	Yes	5	3	2	100	0	0	No	1	100

Notes:

- On April 28, 2016, the Company disclosed the Resolutions of the Board of Directors and General Meeting on the Hong Kong Stock Exchange and the Annual Meeting Minutes, Resolutions, Directors' Resolutions and General Meeting Minutes on the SSE. Mr. Chen Jicheng tendered his resignation from his position as a director and deputy general manager of the Company due to personal reasons, with effect from April 26, 2016.
- Mr. Wu Shinong and Ms. Zhu Dezhen were unable to attend the 2015 annual general meeting of the Company convened on 20 May, 2016 due to work reasons.

Number of meetings of the Board of Directors convened during the year	5
Among them: Physical meetings convened	1
Meetings convened through communications	2
Meetings convened in combination of physical meetings and meetings through communications	2

Section X Company Governance and Corporate Governance Report

(II) Training of the Directors

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

As of December 31, 2016, all directors have received trainings in accordance with the rules relevant to the continuous professional development under the Corporate Governance Code. Their records of training as of December 31, 2016 are as follows:

Director	Duration of training (Hours)	
	A	H
Executive directors		
Cho Tak Wong	6	12
Chen Xiangming	6	28
Chen Jicheng (resigned)	2	
Non-executive directors		
Tso Fai	6	12
Wu Shinong	6	12
Zhu Dezhen	6	12
Independent non-executive directors		
Wu Yuhui	6	12
Liu Xiaozhi	6	12
Cheng Yan	6	12

附註：

A: Trainings on the rules issued by the SSE and directors' responsibilities

H: Trainings on the rules issued by the Hong Kong Stock Exchange and directors' responsibilities

Section X Company Governance and Corporate Governance Report

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

According to the requirements of the regulations of the place of listing, the Board of Directors stringently discharged its responsibility of corporate governance specified in Article 7 of the Rules of Procedure of 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 recommendation. During the Reporting Period, the Board of Directors modified the Articles of Association, Rules of Procedure of the Board of Directors, Terms of Reference for the Audit Committee, Terms of Reference for the Nomination Committee, Terms of Reference for the Remuneration and Assessment Committee and the Rules of Procedure of Online Voting in General Meetings.
- 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 the directors and senior management of the relevant rules and 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 pay attention to the compliance of the operation of the Company. The Company established the legal department and hired counsel to ensure the compliance by the Company with the requirements of laws and regulations.
- To review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and disclosure in the Corporate Governance Report. The Board of Directors required the Company to stringently follow the requirements relevant to the corporate governance of the listing rules of the stock exchanges where the shares of the Company are listed, and to timely disclose information relevant to corporate governance.

VII. THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE PRESIDENT

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

The chairman of the Board of Directors is the legal representative of the Company, and shall exercise the following duties: presiding over general meetings and convening and presiding over meetings of the Board of Directors; supervising and reviewing the implementation of resolutions passed at the meeting 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 representatives, etc. The chairman of the Board of Directors shall report to the Board of Directors.

The president exercises the following powers: managing the business operations 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 to the Board of Directors important information including the information of the Company relevant to the operation 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.

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 X Company Governance and Corporate Governance Report

VIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Rules of Procedure of the Board of Directors of the Company, the term of office of the directors shall be three years and may be reappointed upon re-election, but the consecutive term of office of the independent non-executive directors shall not exceed six years. On December 31, 2016, the Board of Directors consisted of eight members, among whom were three independent non-executive directors and Mr. Wu Yuhui, an independent non-executive director, who possess the qualifications of accounting and financial management. The composition of the Board of Directors of the Company was in compliance with the regulations 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 the Company considered and confirmed their independent status. All independent non-executive directors could express opinions objectively and

Section X Company Governance and Corporate Governance Report

During the Reporting Period, the Strategic Development Committee performed its duties in accordance with the Company Law, Articles of Association, the Terms of Reference of the Strategic Development Committee and requirements of relevant law and regulations. One meeting was convened and all resolutions were approved with no objections. The details are as follow:

Meeting	Date	Topic	Attendance
The third meeting of the eighth session (combination of physical meeting and meeting through communications)	March 19, 2016	<ol style="list-style-type: none"> 1. Consideration of the Resolution in relation to the Company's Development Strategy; 2. Consideration of the Resolution in relation to the Company's 2016 Development Plan 	Mr. Cho Tak Wong, Mr. Tso Fai, Ms. Cheng Yan attended the meeting

(II) Audit Committee

The Company has established an audit committee in accordance with Rules 3.21 and 3.22 of the Hong Kong Listing Rules as well as the requirements of the CSRC and the SSE. The Audit Committee is responsible for conducting internal audit and supervision on the financial income and expenses and economic activities and shall report its work and be accountable to the Board of Directors. The Audit Committee comprises three members, all of whom are the non-executive directors of the Company (including two independent non-executive directors). The chairman of the Audit Committee is Mr. Wu Yuhui, an independent non-executive director, who possesses the professional qualifications as provided in Rule 3.10(2) of the Hong Kong Listing Rules. The other members of the Audit Committee are Ms. Cheng Yan, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director. The terms of reference of the Audit Committee was announced in writing on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

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 by the external audit institution in order to ensure the financial statements, reports and other relevant information were complete, fair and accurate, guided the internal audit work to supervise the establishment and optimization of the Company's internal audit system, evaluated the effectiveness of internal control, guided the audit department of the Company on implementing the management of conflict of interest, reviewed the continuous connected transaction, 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 of PRC, the Securities Law of PRC, the Accounting Law of PRC, Basic Regulation of Internal Control and its supporting guidelines, the Internal Control Guidelines for Listed Companies on the SSE, and other internal control supervisory rules, the Audit Committee collated, assessed and identified the risks faced by the Company

Section X Company Governance and Corporate Governance Report

During the Reporting Period, the Audit Committee performed its duties in accordance with the Company Law, Articles of Association, the Terms of Reference of the Audit Committee and requirements of relevant laws and regulations. Four meetings were convened and all resolutions were approved with no objection. The details are as follows:

Meeting	Date	Topic	Attendance
The sixth meeting of the eighth session (combination of physical meeting and meeting through communications)	March 19, 2016	<ol style="list-style-type: none"> 1. Consideration of the 2015 Final Financial Accounts; 2. Consideration of the 2015 Annual Report and Summary of Annual Report; 3. Consideration of the 2015 Annual Audit Work Summary Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership); 4. Consideration of the Resolution in relation to Continue Appointing PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Domestic Audit Institution and Internal Audit Institution for the 2016 Annual Financial Statements and the internal control of the Company; 5. Consideration of the Resolution in relation to Appointing PricewaterhouseCoopers as the External Audit Institution for the Company in 2015 and Continue Appointing PricewaterhouseCoopers as the External Audit Institution for the Company in 2016; 6. Consideration of the "Fuyao Glass Industry Group Co., Ltd. 2015 Annual Internal Control Evaluation Report"; 7. Consideration of the 2015 Annual Performance Report of the Audit Committee of the eighth session; 8. Consideration of the Annual Work Summary of the Audit Department for the Year of 2015 	Mr. Wu Yuhui, Ms. Cheng Yan, Ms. Zhu Dezhen attended the meeting
The seventh meeting of the eighth session (meeting through communications)	April 18, 2016	Consideration of the full text of 2016 First Quarter Report of the Company	Mr. Wu Yuhui, Ms. Cheng Yan, Ms. Zhu Dezhen attended the meeting

Section X Company Governance and Corporate Governance Report

Meeting	Date	Topic	Attendance
The eighth meeting of the eighth session (combination of physical meeting and meeting through communications)	August 27, 2016	Consideration of the Resolution relating to the 2016 Interim Report and Summary of the Company	Mr. Wu Yuhui, Ms. Cheng Yan, Ms. Zhu Dezhen attended the meeting
The ninth meeting of the eighth session (physical meeting)	October 29, 2016	Consideration of the full text of 2016 Third Quarter Report of the Company	Mr. Wu Yuhui, Ms. Cheng Yan, Ms. Zhu Dezhen attended the meeting

(III) Nomination Committee

The Company has established a nomination committee in accordance with Code Provisions A.5.1 and A.5.2 under the Corporate Governance Code as well as the requirements of the CSRC and the SSE. The Nomination Committee is mainly responsible for providing opinions or suggestions on the changes and recommendation of candidates for directors and senior management to the Board of Directors. The Nomination Committee comprises three members with independent non-executive directors being the majority. The chairman of the Nomination Committee is Ms. Cheng Yan, an independent non-executive director and the other members are Ms. Liu Xiaozhi, an independent non-executive director, and Mr. Tso Fai, a non-executive director. The terms of reference and authority of the Nomination Committee was announced in writing on the websites of the Company, the SSE and Hong Kong Stock Exchange.

The Nomination Committee provides consultation to the Board of Directors with respect to the nomination of directors. It will first consider and determine the candidate for nomination, then make recommendation to the Board of Directors. The Board of Directors will decide whether to propose such candidate to the general meeting for election. The Nomination Committee and the Board of Directors will mainly refer to the cultural, educational and professional background when selecting candidates.

The Company has formulated the "Board Diversity Policy", which covers: 1. Policy statement: In designing the composition of the Board of Directors, the Company has considered the diversity 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 on 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. The Company confirmed that the composition of the Board was in compliance with the Board Diversity Policy of the Hong Kong Listing Rules.

Section X Company Governance and Corporate Governance Report

During the Reporting Period, the Nomination Committee performed its duties in accordance with the Company Law, Articles of Association, the Terms of Reference of the Nomination Committee, the Board Diversity Policy and requirements of relevant laws and regulations. Two meetings were convened and all resolutions were approved with no objection. The details are as follow:

Meeting	Meeting Date	Topic	Attendance
The fourth meeting of the eighth session (combination of physical meeting and meeting through communications)	March 19, 2016	<ol style="list-style-type: none">1. Consideration of the Resolution in relation to the Nomination of Secretary to the Board of Directors of the Company;2. Consideration of the Resolution in relation to the Nomination of the Deputy General Manager of the Company	Mr. Tso Fai, Ms. Cheng Yan, Ms. Liu Xiaozhi

Section X Company Governance and Corporate Governance Report

During the Reporting Period, after the Remuneration and Assessment Committees carefully examined the actual completed production and operating results in 2015, the Committee reviewed the remuneration of the Company's directors and senior management disclosed in the 2015 Annual Report, and considered all the directors, supervisors and senior management achieved the annual operating results set by the company with diligence and dedication. The remuneration of directors, supervisors and senior management in 2015 was fair, reasonable and in compliance with relevant regulations and assessment criteria of the Company, without any occurrence of violation of the Company's remuneration system. In 2015, the Company did not implement any equity incentive scheme.

During the Reporting Period, the Remuneration and Assessment Committee performed its duties in accordance with the Company Law, Articles of Association, and the Terms of Reference of the Remuneration and Assessment Committee and requirements of relevant laws and regulations. One meeting was convened and all resolutions were approved with no objections. The details are as follows:

Meeting	Date	Topic	Attendance
The third meeting of the eighth session (physical meeting)	March 19, 2016	Consideration of the Consolidated Report of the Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2015	Mr. Cho Tak Wong, Mr. Wu Yuhui and Ms. Liu Xiaozhi attended the meeting

X. 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. 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 the 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.

Section X Company Governance and Corporate Governance Report

During the Reporting Period, the Board of Supervisors performed its duties in accordance with the Company Law, Articles of Association, and the Rules of Procedure of the Board of Supervisors and requirements of relevant laws and regulations. Four meetings were convened and all resolutions were approved with no objections. The details are as follows:

Meeting	Meeting Date	Topic	Attendance
The sixth meeting of the eighth session (physical meeting)	March 19, 2016	<ol style="list-style-type: none"> 1. Consideration of the 2015 Work Report of the Board of Supervisors; 2. Consideration of the 2015 Final Financial Accounts; 3. Consideration of the 2015 Annual Report and Annual Report Summary; 4. Consideration of the Resolution in relation to the Disposal of Assets by the Company and the Projected Continuing Connected Transactions; 5. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Fuzhou Fuyao Mold Technology Co., Ltd. for the Year of 2016; 6. Consideration of the Resolution in relation to the Projected Continuing Connected Transaction between the Company and Fujian Triplex Auto Services Co., Ltd. for the Year of 2016; 7. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Fujian Triplex Auto Parts Development Co., Ltd. for the Year of 2016; 8. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Hubei Jierui Automobile Glass Co., Ltd. for the Year of 2016; 9. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Hunan Jierui Automobile Glass Co., Ltd. for the Year of 2016; 10. Consideration of the Resolution in relation to the Projected Continuing Connected Transaction between the Company and Fujian Hongxiecheng Automobile Parts Co., Ltd. from January to July of 2016 	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyong attended the meeting
The seventh meeting of the eighth session (meeting through communications)	April 18, 2016	Consideration of the full text of 2016 First Quarter Report of the Company	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyong attended the meeting
The eighth meeting of the eighth session (physical meeting)	August 27, 2016	Ceoc2016 Interim Report of CeocCompany and Summary	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyong attended the meeting

Section X Company Governance and Corporate Governance Report

Meeting	Meeting Date	Topic	Attendance
The ninth meeting of the eighth session (physical meeting)	October 29, 2016	<ol style="list-style-type: none"> 1. Consideration of the full text of 2016 Third Quarter Report of the Company; 2. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year of 2017; 3. Consideration of the Resolution in relation to Increasing the Projected Continuing Connected Transactions between the Company and Fujian Triplex Machinery Technology Co., Ltd. for the Year of 2016; 4. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Fujian Triplex Auto Parts Development Co., Ltd. for the Year of 2017; 5. Consideration of the Resolution in relation to the Projected Continuing Connected Transaction between the Company and Fujian Triplex Auto Services Co., Ltd. for the Year of 2017; 6. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Fuzhou Fuyao Mold Technology Co., Ltd. for the Year of 2017; 7. Consideration of the Resolution in relation to the Projected Continuing Connected Transactions between the Company and Fuyao Group Shuangliao Co., Ltd. from September to December of 2016 and for the Year of 2017 	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyong attended the meeting

XI. RISKS TO THE COMPANY DISCOVERED BY THE BOARD OF SUPERVISORS

The Board of Supervisors raised no objection to the issues supervised during the Reporting Period.

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

The Remuneration and Assessment Committee performed assessment concerning the performance and implementation of duty of the senior management according to the actual completed production and operating results of the Company in 2016, to ensure the remuneration of the senior management was closely linked to their management and operations results, and thus strengthen the incentive effect of the assessment. During the Reporting Period, the Company did not implement any equity incentive scheme.

Section X Company Governance and Corporate Governance Report

XIII. INTEREST OF BUSINESS COMPETITION

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

XIV. INTEREST OF TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF DIRECTORS, SUPERVISORS (AND CONNECTED ENTITIES)

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.

XV. CONTRACT OF SERVICE OF DIRECTORS AND SUPERVISORS

None of the contracts of service entered into by the existing directors and supervisors of the eighth session of the Board of Directors and the Board of Supervisors with the Company could not be terminated without compensation (except legal compensation) by the Company within one year.

XVI. MANAGEMENT CONTRACTS

Except the contracts of service of the Company's management, the Company has not entered into any contacts 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.

XVII. INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

The Company regards information disclosure and investor relationship as very important work. In 2016, in accordance with the relevant regulations of the regulatory authorities such as the CSRC, the SSE and the Hong Kong Stock Exchange, the Company well organized and implemented the true, accurate, complete, timely and fair disclosure of information. Meanwhile, the Company further strengthened communication with investors, analysts, financial media, and effectively protected the legitimate rights and interests of investors, especially small investors. The Company communicated with the investors through channels such as non-deal roadshows, earnings call, conference calls, visits reception, investor relations hotline, dedicated mailbox, "the Shanghai interactive e" platform pipeline. The Company also set the website <http://www.fuyaogroup.com>, for public inspection of the Company's business development and management, financial information, corporate governance practices and information and updates about other information.

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

There was no change in the Articles of Association of the Company during the Reporting Period.

XIX. REMUNERATION OF THE AUDITORS

Please refer to "III. The Appointment and Dismissal of Accountants" of "Section VII Significant Events" of the report for details of the remuneration of the auditors.

Section X Company Governance and Corporate Governance Report

XX. JOINT COMPANY SECRETARY

Mr. Chen Xiangming, an executive director, a joint company secretary and the chief financial officer of the Company, was responsible for providing opinions concerning corporate governance to the Board of Directors, and the organization and record-keeping of the general meeting and meetings of the Board of the Directors of the Company.

To maintain good corporate governance, and to ensure compliance with the Hong Kong Listing Rules, the Company has engaged Ms. Kam Mei Ha, Wendy (a director of the Corporate Services Department of Tricor Services Limited, a fellow member of Hong Kong Institute of Chartered Secretaries and Chartered Secretaries and Administrators Association) as a joint company secretary, to assist Mr. Chen Xiangming to fulfill his obligations and responsibilities. The primary contact person of Ms. Kam Mei Ha, Wendy is Mr. Chen Xiangming.

In 2016, 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.

XXI. WHETHER TO DISCLOSE INTERNAL SELF EVALUATION REPORT

Please refer to Shanghai Securities News, China Securities News, Securities Times, SSE (<http://www.sse.com.cn>) and Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>) dated February 25, 2017 for the detailed Internal Control Self Evaluation Report.

XXII. RELEVANT INFORMATION ON INTERNAL CONTROL AUDIT REPORT

(I) Statement of the Responsibilities for Internal Control

The Board of Directors is responsible for evaluation of the effectiveness of the establishment and implementation of internal controls, and the truthful disclosure of internal control evaluation report. In accordance with the relevant requirements of Company Law, Securities Law, Accounting Law, Basic Regulation of Internal Control and its supporting guidelines, the Internal Control Guidelines for Listed Companies, and other internal control supervisory requirements and regulations, the Board of Directors has established and improved the risk control measures in all aspects with a risk-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 failure to achieve our business objectives, and the Board of Directors of the Company can only provide reasonable rather than absolute assurance against material misstatement or loss. In 2016, according to internal and external business environment changes, the Company's business development and regulations, revision of the internal control system evaluation criteria is organized to ensure that the annual internal risk management evaluation of this year was more realistic, scientific and efficient. Also, on-site assistance for tests on the effectiveness of the internal control system was concretely implemented, so as to ensure the deepening idea of risk management and reasonable control of the Company, and to make sure that regulations for all operations and management of the Company, the operation, risk prevention, assets security, financial reports and information disclosure are all regulated and thus the effectiveness and efficiency were increased, enhancing the Company's implementation of development strategy.

(II) The Establishment of Internal Control System

The Company has always been dedicated to the establishment of an internal control system in line with international standards and regulatory requirements, and keeps optimizing the internal control system based on its risk exposure and control conditions.

Section X Company Governance and Corporate Governance Report

In the aspects of the risk-oriented internal control system and structure, according to the requirements of relevant laws and regulations, regulatory requirements and internal systems, the Company has established an internal control system with sound organizational structure, clear responsibilities, and clear division of labor and sophisticated staffing. The Board of Directors is responsible for the establishment and effective implementation of the risk-oriented internal control, and assesses its effectiveness at least once a year. Audit Committee and audit department were set 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 supervised, reviewed, evaluated and implemented internal control on the risk control of the Company and its holding company subsidiaries, coordinated the internal control audit and other relevant issues. The Board of Supervisors supervised the internal control system built and implemented by the Board of Directors. The management was responsible for leading an effective operation of the risk-oriented internal control system. During the Reporting Period, the Board of Directors reviewed the internal control system and considered it effective and adequate.

The Company established the internal control system of material information, and procedures and internal supervisory measures addressing and disseminating price-sensitive information. The Company established systems relating to information disclosure, sensitive information verification, and registration and management system of inside information in accordance with the regulatory requirements to prevent the inappropriate use and disseminating of sensitive information. Meanwhile, the Company carried out information disclosure in a true, accurate, complete, and responsive manner pursuant to the laws and regulations and requirements under the Listing Rules, the Articles of Association, and Administrative Measures for the Disclosure of Information of Listed Companies, so as to ensure equal opportunities of all investors to timely access relevant information of the Company.

During the Reporting Period, in accordance with the laws and regulations of the PRC and requirements of regulatory authorities, in aiming of building a top-tier international enterprise, in combination with the need of management of the Company, the Company implemented the “regulation+1” compliance concept, fulfilled and insisted the principle of “clear aim, comprehensive coverage, regulated operation, appropriate implementation, forceful supervision”, constantly improved the risk-oriented internal control and evaluation system. Meanwhile, the Company actively consolidated the local and international regulators’ advanced standards, measures and tools of risk control, constructing a standardized internal control system of risk control.

In 2016, the Company conducted the annual review of the list of risk management, defined risk appetite, as well as the supporting internal control system and evaluation system to ensure appropriateness of the risk management-oriented internal control system to be integrated into business and processes. Meanwhile, the Company implemented trainings and tests for all in connection with risk management and internal control system, reasserted the risk management awareness of all, and comprehensively implemented precaution measures of risk management. The Company enhanced the coordination and corporation of the three lines of defense: “the self-evaluation of the business and functional departments, the self-evaluation of the audit department, the internal audit implemented by the appointed auditors”, enhanced the smooth operation of the internal control system as a whole, strengthened the business departments’ ability to directly assume the responsibilities of risk management and control, enhanced the routine risk management and internal control which can be described as “Everyone has Risk Management Consciousness, Everyone is Involved in Internal Control, Everyone is Responsible for Compliance”, safeguarding the Company in its journey to the achieve its great strategic objectives.

(III) Internal control audit report

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) issued an internal control audit report for the Company, and considered that the Company has maintained effective financial report internal control in all critical aspects in accordance with the Basic Regulations for Corporate Internal Control and other relevant regulations as of December 31, 2016.

Whether to disclose the internal control audit report: Yes

Section XI Relevant Information of Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

币种: CNY, 人民币: RMB

Name of bonds	Stock short name	Code	Issue date	Maturity date	Balance of bonds	Interest rate	Payment of interest and principal	Stock exchange	Purpose of issuance
Public Offering of 2016 Corporate Bonds (Phase I) of Fuyao Glass Industry Group Co., Ltd.	16 FUYAO 01	136566	July 22, 2016	July 22, 2019	800,000,000	3%	Interest will be payable annually, and principal will be repaid upon maturity	SSE	To meet the Company's working capital needs, improve the debt structure and reduce financing costs

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

Bond Trustee	Name	Beijing Haiwen & Partners
	Office address	20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing
	Contacts	Gao Wei
	Contact number	010-85606888
Credit rating agencies	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	21/F, Anji Building, No. 760, South Tibet Road, Shanghai

III. THE USE OF PROCEEDS FROM CORPORATE BONDS

The proceeds from 16 FUYAO 01, after deducting the issuance costs, will be utilized to repay the debts due and to supplement the working capital. As at December 31, 2016, the proceeds from 16 FUYAO 01 had been fully used. The management and use of the proceeds raised from the corporate bonds mentioned above are consistent with the intended use, use plans and other commitments specified in the corporate bond prospectus.

IV. THE CORPORATE BOND RATINGS

After comprehensive assessment from China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司), the Company's main credit rating is rated as AAA, and 16 FUYAO 01's credit rating is rated as AAA. The credit ratings above indicate that the Company has a strong ability to repay debts, with less affect from adverse economic environment and minimal risk of default.

In addition to its credit rating report, China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司) will also issue a formal periodic follow-up rating report within two months after the disclosure of a company's annual report. There is currently no follow-up rating for 16 FUYAO 01.

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

There was no significant changes in the credit enhancement mechanism, debt repayment plan and other assurance measures of repayment of 16 FUYAO 01 during the Reporting Period.

Section XI Relevant Information of Corporate Bonds

VI. INFORMATION ON CORPORATE BONDHOLDERS' MEETING

There was no corporate Bondholders' Meeting during the Reporting Period.

VII. INFORMATION ON PERFORMANCE OF DUTIES OF CORPORATE BONDS TRUSTEE

During the duration of the corporate bonds, Beijing Haiwen & Partners, the bond trustee, strictly complied with the stipulations in the Bond Trustee Management Agreement to continuously monitor the Company's credit status and management of proceeds, and supervise the Company to fulfill its obligations stipulated in the prospectus of corporate bonds. By doing the above, Beijing Haiwen & Partners has actively exercised the duties as a bond trustee to safeguard the legal rights and interests of bondholders.

The bond trustee is expected to disclose the Bond Trustee Management Services Report for the Reporting Period within two months after the disclosure of the Company's annual report, details of which will be published in the website of SSE.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATOR FOR THE LATEST 2 YEARS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD (PREPARED IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

Unit: 10,000 CNY; Currency: RMB

Main indicators	2016	2015	Increase/ decrease as Compared with the corresponding period of last year (%)	Notes
Earnings before interest, taxes, depreciation and amortization ⁽¹⁾	533,200.67	426,513.72	25.01	
Current ratio (times) ⁽²⁾	1.54	1.77	-12.99	
Quick ratio (times) ⁽³⁾	1.26	1.42	-11.28	
Gearing ratio ⁽⁴⁾	39.60%	33.88%	5.72	
Total debt to EBITDA ratio ⁽⁵⁾	0.68	0.82	-17.60	
Interest coverage ratio (times) ⁽⁶⁾	19.98	13.63	46.57	It was mainly due to the enhancement of capital-intensive management and optimizing of financing structure by the Company to reduce the cost of fund utilization during the Reporting Period.
Cash interest coverage ratio (times) ⁽⁷⁾	28.66	17.42	64.59	It was mainly due to the enhancing of capital-intensive management and optimizing of financing structure by the Company to reduce the cost of fund utilization during the Reporting Period.
EBITDA interest coverage ratio (times) ⁽⁸⁾	26.13	17.98	45.30	It was mainly due to the enhancing of capital-intensive management and optimizing of financing structure by the Company to reduce the cost of fund utilization during the Reporting Period.
Loan repayment ratio ⁽⁹⁾	100%	100%	-	
Interest repayment ratio ⁽¹⁰⁾	100%	100%	-	

Section XI Relevant Information of Corporate Bonds

Notes:

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

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

During the Reporting Period, other bonds and debt financing instruments of the Company were paid on time, there was no deferred payment of interest and principal and the inability to pay interest and principal.

X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

As at December 31, 2016, the Company had a total bank credit of RMB25.275 billion, of which RMB5.943 billion has been used and RMB19.332 billion has not been used.

XI. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR COMMITMENTS SPECIFIED IN CORPORATE BOND PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company strictly fulfilled the relevant commitments specified in the corporate bond prospectus, used the proceeds in a compliance manner and there was no damage to the interests of bond investors.

Section XII Financial Report

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FUYAO GLASS INDUSTRY GROUP CO., LTD.

(福 耀 玻 璃 工 業 集 團 有 限 公 司)

Opinion

What We Have Audited

The consolidated financial statements of Fuyao Glass Industry Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 187, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

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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.

The key audit matter identified in our audit is as follows:

Key Audit Matter

Revenue Recognition

The Group's revenue mainly comprises of sales of automotive glasses to original equipment manufacturers ("OEM") customers and aftermarket repairing glass ("ARG") customers in China and overseas markets. For the year ended 31 December 2016, revenue from sales to China OEM customers amounted to RMB10,252 million, which represented approximately 62% of total revenue.

Refer to note 2.28(a) 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. After the acceptance of the products, the customers have the right to sell and use the products on its own interests and bear the risk of price fluctuation or damage to the products. 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 other customers, including overseas OEM customers and ARG customers, is recognised when products have been shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance.

We focused on the proper cut-off of sales to China OEM customers due to the fact that the documents of confirming the acceptance of the products were provided by numerous OEM customers based in different locations. There is a risk of differences between the timing of acceptance of the products by China OEM customers and that when revenue was recorded. Accordingly, there could be potential misstatements that these revenue transactions are not recognised in the proper reporting periods.

How our audit addressed the Key Audit Matter

We understood, evaluated and validated management's key controls in respect of the Group's sales transactions from customer order's approval to sales recording. In addition, we tested the general information technology control environment and the related automated controls of the Group's revenue related system.

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

We conducted testing of revenue related to sales to China OEM customers, using sampling techniques, by examining the relevant supporting documents including risks and rewards terms of the sales contracts and customers' acceptance documents. In addition, we confirmed the balance of trade receivables and also the total sales amount with selected customers on a targeted 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 did not note any significant exceptions related to cut-off of revenue recognition which would impact the consolidated financial statements.

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Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. We also evaluate the effectiveness of the internal control systems that mitigate the risks of material misstatement in the consolidated financial statements.

Section XII Financial Report

- 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, related safeguards.

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 **K C . .**

PricewaterhouseCoopers


Hong Kong, 24 February 2017

Section XII Financial Report

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

		As at 31 December	
		2016	2015
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	13,416,477	10,806,529
Leasehold land and land use rights	7	1,026,359	1,067,429
Intangible assets	8	157,103	153,912
Investments in a joint venture	9	40,065	46,449
Investments in an associate	9	61,472	–
Long-term prepaid rental expenses	10	33,537	44,851
Deferred income tax assets	11	193,404	204,649
Other non-current asset	13	290	–
		14,928,707	12,323,819
Current assets			
Inventories	12	2,785,865	2,494,921
Trade and other receivables	13	4,952,027	3,783,579
Derivative financial instruments		1,951	–
Restricted cash	14	12,345	13,687
Cash and cash equivalents	14	7,198,834	5,905,158
		14,951,022	12,197,345
Assets of disposal group classified as held-for-sale	15	–	320,468
		14,951,022	12,517,813
Total assets		29,879,729	24,841,632
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	2,508,618	2,508,618
Share premium	17	6,202,553	6,202,553
Other reserves	17	1,751,558	1,098,091
Retained earnings	18	7,584,771	6,614,026
		18,047,500	16,423,288
Non-controlling interests		4,928	6,439
Total equity		18,052,428	16,429,727

Section XII Financial Report

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2016

		As at 31 December	
		2016	2015
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	1,573,531	848,000
Deferred income tax liabilities	11	80,408	92,583
Deferred income on government grants	20	461,923	368,472
		2,115,862	1,309,055
Current liabilities			
Trade and other payables	21	3,585,112	2,940,670
Current income tax liabilities		434,780	262,137
Borrowings	19	5,671,642	3,871,051
Derivative financial instruments		–	925
Current portion of deferred income on government grants	20	19,905	18,515
		9,711,439	7,093,298
Liabilities of disposal group classified as held-for-sale	15	–	9,552
		9,711,439	7,102,850
Total liabilities		11,827,301	8,411,905
Total equity and liabilities		29,879,729	24,841,632

The notes on pages 117 to 187 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2016

	Notes	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
Revenue	22	16,621,336	13,573,495
Cost of sales	22, 25	(9,648,615)	(7,938,515)
Gross profit		6,972,721	5,634,980
Distribution costs and selling expenses	25	(1,184,740)	(1,020,585)
Administrative expenses	25	(1,673,626)	(1,287,869)
Research and development expenses	25	(727,586)	(592,889)
Other income	23	89,542	97,836
Other gains – net	24	493,785	375,797
Operating profit		3,970,096	3,207,270
Finance income	27	106,576	19,725
Finance costs	27	(157,713)	(190,512)
Finance costs – net		(51,137)	(170,787)
Share of results of joint venture and associate	9	(112)	5,559
Profit before income tax		3,918,847	3,042,042
Income tax expense	28	(776,909)	(435,226)
Profit for the year		3,141,938	2,606,816
Profit attributable to:			
Equity holders of the Company		3,143,449	2,604,697
Non-controlling interests		(1,511)	2,119
Profit for the year		3,141,938	2,606,816
Earnings per share for profit attributable to equity holders of the Company during the year			
– Basic and diluted earnings per share (RMB)	29(a)	1.25	1.10

The notes on pages 117 to 187 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit for the year	3,141,938	2,606,816
Other comprehensive income:		
Currency translation differences	362,405	(17,552)
Other comprehensive income for the year, net of tax	362,405	(17,552)
Total comprehensive income for the year	3,504,343	2,589,264
Total comprehensive income attributable to:		
Equity holders of the Company	3,505,854	2,587,145
Non-controlling interests	(1,511)	2,119
Total comprehensive income for the year	3,504,343	2,589,264

The notes on pages 117 to 187 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2016

	N/A	Attributable to equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000 (N/A'16)	RMB'000 (N/A'17)	RMB'000 (N/A'17)	RMB'000 (N/A'18)	RMB'000		
Balance at 1 January 2015		2,002,986	184,347	873,803	5,752,510	8,813,646	4,320	8,817,966
Comprehensive income:								
Profit for the year		-	-	-	2,604,697	2,604,697	2,119	2,606,816
Other comprehensive income:								
Currency translation differences – Group		-	-	(17,552)	-	(17,552)	-	(17,552)
Total comprehensive income		-	-	(17,552)	2,604,697	2,587,145	2,119	2,589,264
Total transaction with equity holders:								
Proceeds from shares issued		505,632	6,018,206	-	-	6,523,838	-	6,523,838
Dividends relating to 2014	30	-	-	-	(1,502,240)	(1,502,240)	-	(1,502,240)
Capital injections from government authorities		-	-	900	-	900	-	900
Others		-	-	(1)	-	(1)	-	(1)
Total transaction with equity holders, recognised directly in equity		505,632	6,018,206	899	(1,502,240)	5,022,497	-	5,022,497
Appropriation to statutory reserve	17	-	-	240,941	(240,941)	-	-	-
Balance at 31 December 2015		2,508,618	6,202,553	1,098,091	6,614,026	16,423,288	6,439	16,429,727
Balance at 1 January 2016		2,508,618	6,202,553	1,098,091	6,614,026	16,423,288	6,439	16,429,727
Comprehensive income:								
Profit for the year		-	-	-	3,143,449	3,143,449	(1,511)	3,141,938
Other comprehensive income:								
Currency translation differences – Group		-	-	362,405	-	362,405	-	362,405
Total comprehensive income		-	-	362,405	3,143,449	3,505,854	(1,511)	3,504,343
Total transaction with equity holders:								
Dividends relating to 2015	30	-	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Others		-	-	(179)	-	(179)	-	(179)
Total transaction with equity holders, recognised directly in equity		-	-	(179)	(1,881,463)	(1,881,642)	-	(1,881,642)
Appropriation to statutory reserve	17	-	-	291,241	(291,241)	-	-	-
Balance at 31 December 2016		2,508,618	6,202,553	1,751,558	7,584,771	18,047,500	4,928	18,052,428

The notes on pages 117 to 187 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

附 錄 三 31 December 2016

		Year ended 31 December	
		2016	2015
		RMB'000	RMB'000
Cash flow from operating activities			
	31(a)	4,145,366	3,470,447
		(613,628)	(470,101)
Net cash generated from operating activities		3,531,738	3,000,346
Cash flow from investing activities			
	31(c)	212,517	52,792
	31(b)	52,725	49,106
		2,330	1,125
		(3,537,655)	(3,030,128)
		(10,702)	(215,211)
		(19,204)	(10,203)
		106,576	19,725
	9	9,800	85,584
		1,342	(5,598)
	20	114,276	51,426
Net cash used in investing activities		(3,067,995)	(3,001,382)
Cash flows from financing activities			
			6,523,837
		10,013,567	7,534,188
		(7,553,967)	(7,236,351)
		(1,881,463)	(1,502,240)
		(153,648)	(212,269)
			900
Net cash generated from financing activities		424,489	5,108,065
Net increase in cash and cash equivalents			
		888,232	5,107,029
		5,906,233	499,325
		404,369	299,879
Cash and cash equivalents at end of the year		7,198,834	5,906,233
Analysis of balances of cash and cash equivalents			
	14	7,198,834	5,905,158
			1,075
Cash and cash equivalents as stated in the consolidated cash flow statements		7,198,834	5,906,233

The notes on pages 117 to 187 are an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fujian Yaohua Glass Industry Group Co., Ltd. 31 December 2016

1 Corporate Information

The Company was formerly known as Fujian Yaohua Glass Industry Group Co., Ltd. (福建省耀華玻璃工業有限公司), which was established in the People's Republic of China (the "PRC") on 14 April 1987 as a sino-foreign equity joint venture. On 21 June 1992, the Company was converted into a sino-foreign joint stock company with limited liability under the PRC Company Law and was renamed as Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司).

The Company's shares have been listed on both the Shanghai Stock Exchange ("A shares") and the Stock Exchange of Hong Kong Limited ("H shares"). As at 31 December 2016, the Company had 2,002,986,332 A shares and 505,631,200 H shares in total, among which, Mr. Cho Tak Wong (曹德旺) and his spouse held 17.43% equity interests in the Company.

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

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

2 Summary of Significant Accounting Policies

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

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are designated as financial assets or liabilities at fair value through profit or loss.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (CONTINUED)

2.1 Basis of Preparation (CONTINUED)

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Amendments from annual improvements to IFRSs – 2012–2014 Cycle, on IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7, 'Financial instruments: Disclosures', IAS 19, 'Employee benefits', IAS 34, 'Interim financial reporting'
- Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'
- Amendments to IAS 1, 'Disclosure initiative'
- Amendments to IAS 27, 'Equity method in separate financial statements'
- IFRS 14, 'Regulatory Deferral Accounts'
- Amendments to IFRS 11, 'Accounting for acquisitions of interests in joint operations'
- Amendments to IAS 16 and IAS 41, 'Agriculture bearer plants'
- Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exceptions'

Amendments and interpretations as mentioned above have no material effect on the Group's operating results, financial position or comprehensive income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

(b) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards which have been issued but are not effective for annual periods beginning after 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IAS 12	Income taxes	1 January 2017
Amendment to IAS 7	Statement of cash flows	1 January 2017
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019 or when apply IFRS 15
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2019

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretation and does not anticipate that the adoption when they become effective will result in any material impact on the Group's result of operations and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (CONTINUED)

2.2 Subsidiaries (CONTINUED)

2.2.1 Consolidation (CONTINUED)

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (CONTINUED)

2.2 Subsidiaries (CONTINUED)

2.2.2 Separate financial statement

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

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 49% of the voting rights. Investments in associates are accounted for using the equity method of accounting. 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.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FUYAO GLASS INDUSTRY GROUP CO., LTD. 31 DECEMBER 2016

2 Summary of Significant Accounting Policies (CONTINUED)

2.3 Associates (CONTINUED)

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.

2.4 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (Continued)

2.5 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.

2.6 Foreign Currency Translation

- (a) Functional and presentation currency

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (Continued)

2.7 Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (CONTINUED)

2.8 Leasehold Land and Land Use Rights

Leasehold land and 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 2.10). Amortisation is calculated using the straight-line method to allocate the cost of leasehold land and land use rights over the remaining period of the lease.

2.9 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 is monitored at the operating segment level.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (Continued)

2.9 Intangible Assets (Continued)

(c) Licenses

Acquired licenses are shown at historical cost. Licenses 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 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.

2.10 Impairment of Non-Financial Assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. 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.

2.11 Non-Current Assets (or Disposal Groups) Held-for-Sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment, intangible assets, deferred tax assets, inventories, and financial assets, even if held-for-sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (Continued)

2.13 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.14 Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (CONTINUED)

2.15 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 labor, 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.

2.16 Trade and Other Receivables

Trade receivables are amounts due from customers for products sold or services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 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.

2.18 Restricted Cash

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

2.19 Share Capital

Ordinary shares are classified as equity.

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FUYAO GLASS INDUSTRY GROUP CO., LTD. 31 DECEMBER 2016

2 Summary of Significant Accounting Policies (CONTINUED)

2.20 Trade and Other Payables

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

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

2.21 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.

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.

2.22 Borrowings Cost

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (Continued)

2.24 Current and Deferred Income Tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for joint ventures and associates. Only when there is an agreement in place that gives the

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CON IN ED)

For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (Continued)

2.25 Employee Benefits (Continued)

(b) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

2.26 Provision and Contingent Liabilities

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

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

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

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

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

2.27 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

2 Summary of Significant Accounting Policies (CONTINUED)

2.29 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, among which those are credited to the consolidated income statements in the upcoming 12 months are classified as current liabilities.

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

2.30 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders, where appropriate.

2.31 Research and Development

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

For the period ended 31 December 2016

3 Financial Risk Management

3.1 Financial Risk Factors

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2016 and 2015, if RMB had strengthened/weakened by 10% against the foreign currencies while all other variables had been held constant, the Group's net profit for the year 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:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Net profit increase/(decrease)		
USD		
– Strengthened 10%	(494,881)	(461,696)
– Weakened 10%	494,881	461,696
EUR		
– Strengthened 10%	(16,892)	(3,067)
– Weakened 10%	16,892	3,067
RBL		
– Strengthened 10%	(3,377)	1,977
– Weakened 10%	3,377	(1,977)

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

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 cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2016				
Borrowings, including interest payables	5,744,592	760,644	875,167	7,380,403
Financial liabilities included in trade and other payables	3,004,815	–	–	3,004,815
	8,749,407	760,644	875,167	10,385,218

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) As at 31 December 2016

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	Total RMB'000
As at 31 December 2015				
Borrowings, including interest payables	3,964,730	811,667	52,547	4,828,944
Derivative financial instruments (Netted)	925	–	–	925
Financial liabilities included in trade and other payables	2,461,953	–	–	2,461,953
	<u>6,427,608</u>	<u>811,667</u>	<u>52,547</u>	<u>7,291,822</u>

- (i) Derivatives held for economic hedge purpose are classified as a current asset or liability. As at 31 December 2016, the Group has outstanding net-settled foreign currency forward contracts to buy USD4,812,000 for EUR4,255,000 (As at 31 December 2015: buy RMB25,252,800 for USD4,000,000 and buy USD10,612,000 for EUR9,634,000).

3.2 Capital Risk Management

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

3 Financial Risk Management (Continued)

3.2 Capital Risk Management (Continued)

The gearing ratios as at 31 December 2016 and 2015 are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Total borrowings (Note 19)	7,245,173	4,719,051
Less: Cash and cash equivalents (Note 14)	(7,198,834)	(5,905,158)
Net asset/(debt)	46,339	(1,186,107)
Total equity	18,052,428	16,429,727
Total capital	18,098,767	15,243,620
Gearing ratio	0.26%	-7.78%

3.3 Fair Value Estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 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 of Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

3 Financial Risk Management (Continued)

3.3 Fair Value Estimation (Continued)

(a) (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2016				
Assets				
Derivative financial instruments				
– Forward foreign exchange contract	–	1,951	–	1,951
	<u>–</u>	<u>1,951</u>	<u>–</u>	<u>1,951</u>
As at 31 December 2015				
Liabilities				
Derivative financial instruments				
– Forward foreign exchange contract	–	825	–	825
– Short call on foreign exchange	–	100	–	100
	<u>–</u>	<u>925</u>	<u>–</u>	<u>925</u>

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

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

(c) 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 advance from customers and statutory liabilities).

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FUYAO GLASS INDUSTRY GROUP CO., LTD. 31 DECEMBER 2016

4 Critical Accounting Estimates and Judgements

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.

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.

(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) Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy as stated in Note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

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

(c) Net Realisable Value of Inventories

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

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

4 Critical Accounting Estimates and Judgements (Continued)

(d) Current and Deferred Income Tax

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

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

(e) Impairment of Receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

(f) Impairment of Non-Financial Assets

Non-financial assets including property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the Continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statements.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Fuyao Glass Industry Group Co., Ltd. 31 December 2016

5 Segment Information

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

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

6 Property, Plant and Equipment

	Buildings and freehold land RMB'000	Machinery and equipment RMB'000	Electronic and office equipment RMB'000	Tools, dies, vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2015						
Opening net book amount	2,603,371	3,565,380	434,592	236,942	1,982,261	8,822,546
Currency translation difference	(33,177)	(11,148)	(427)	(195)	11,310	(33,637)
Transfer	178,727	1,433,555	128,478	1,419	(1,742,179)	-
Other additions	96,899	112,398	135,725	181,222	2,591,175	3,117,419
Disposals (Note 31)	(2,061)	(83,194)	(27,395)	(2,141)	-	(114,791)
Depreciation (Note 25)	(162,865)	(566,922)	(128,150)	(127,071)	-	(985,008)
Closing net book amount	<u>2,680,894</u>	<u>4,450,069</u>	<u>542,823</u>	<u>290,176</u>	<u>2,842,567</u>	<u>10,806,529</u>
At 31 December 2015						
Cost	3,689,737	8,277,288	1,117,528	844,752	2,842,567	16,771,872
Accumulated depreciation	(1,008,843)	(3,827,219)	(574,705)	(554,576)	-	(5,965,343)
Net book amount	<u>2,680,894</u>	<u>4,450,069</u>	<u>542,823</u>	<u>290,176</u>	<u>2,842,567</u>	<u>10,806,529</u>
Year ended 31 December 2016						
Opening net book amount	<u>2,680,894</u>	<u>4,450,069</u>	<u>542,823</u>	<u>290,176</u>	<u>2,842,567</u>	<u>10,806,529</u>
Currency translation difference	83,441	69,616	1,993	312	132,989	288,351
Transfer	399,001	1,303,759	221,938	148	(1,924,846)	-
Other additions	280,521	191,351	166,876	203,599	2,771,254	3,613,601
Disposals (Note 31)	(11,602)	(15,904)	(39,757)	(4,406)	-	(71,669)
Disposals of subsidiaries	(560)	(14,588)	(1,519)	(2,376)	-	(19,043)
Depreciation (Note 25)	(192,811)	(694,249)	(161,413)	(152,819)	-	(1,201,292)
Closing net book amount	<u>3,238,884</u>	<u>5,290,054</u>	<u>730,941</u>	<u>334,634</u>	<u>3,821,964</u>	<u>13,416,477</u>
At 31 December 2016						
Cost	4,439,804	9,761,380	1,447,601	1,019,216	3,821,964	20,489,965
Accumulated depreciation	(1,200,920)	(4,471,326)	(716,660)	(684,582)	-	(7,073,488)
Net book amount	<u>3,238,884</u>	<u>5,290,054</u>	<u>730,941</u>	<u>334,634</u>	<u>3,821,964</u>	<u>13,416,477</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

6 Property, Plant and Equipment (Continued)

- (a) As at 31 December 2016, the Group was still in the process of applying for the ownership certificates of certain buildings with aggregated carrying amounts of approximately RMB696,189,000 (2015: RMB537,281,000). The Directors of the Group consider that these buildings without ownership certificates will not have a significant impact on the Group's operation.
- (b) During the year, the Group has capitalised borrowing costs amounting to RMB46,376,000 (2015: RMB46,698,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 2.40% (2015: 3.61%).

7 Leasehold Land and Land Use Rights

Leasehold land and land use rights represent prepaid operating lease payments for land mainly located in the PRC which are held on leases between 20 to 49 years.

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening net book value	1,067,429	874,692
Currency translation difference	963	(4)
Additions	10,702	215,211
Disposal	(702)	–
Disposal of subsidiaries	(28,000)	–
Amortisation charges (Note 25)	(24,033)	(22,470)
Closing net book value	1,026,359	1,067,429

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

8 Intangible Assets

	Goodwill	Patents	License fee	Computer software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2015						
Opening net book amount	74,678	8,393	41,472	14,852	17,482	156,877
Currency translation difference	–	–	2,248	(303)	(198)	1,747
Additions	–	–	–	10,203	–	10,203
Disposals	–	–	–	–	(1,125)	(1,125)
Amortisation (Note 25)	–	(2,330)	(1,054)	(6,656)	(3,750)	(13,790)
Closing net book amount	<u>74,678</u>	<u>6,063</u>	<u>42,666</u>	<u>18,096</u>	<u>12,409</u>	<u>153,912</u>
At 31 December 2015						
Cost	74,678	32,583	74,783	55,034	39,022	276,100
Accumulated amortisation	–	(26,520)	(32,117)	(36,938)	(26,613)	(122,188)
Net book amount	<u>74,678</u>	<u>6,063</u>	<u>42,666</u>	<u>18,096</u>	<u>12,409</u>	<u>153,912</u>
Year ended 31 December 2016						
Opening net book amount	74,678	6,063	42,666	18,096	12,409	153,912
Currency translation difference	–	–	2,625	287	15	2,927
Additions	–	–	–	19,316	–	19,316
Disposals	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	(244)	–	(244)
Amortisation (Note 25)	–	(2,205)	(3,486)	(10,301)	(2,816)	(16,808)
Closing net book amount	<u>74,678</u>	<u>3,858</u>	<u>41,805</u>	<u>27,154</u>	<u>9,608</u>	<u>157,103</u>
At 31 December 2016						
Cost	74,678	29,383	74,132	68,235	30,953	277,381
Accumulated amortisation	–	(25,525)	(32,327)	(41,081)	(21,345)	(120,278)
Net book amount	<u>74,678</u>	<u>3,858</u>	<u>41,805</u>	<u>27,154</u>	<u>9,608</u>	<u>157,103</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

8 Intangible Assets (Continued)

(a) Impairment Tests for Goodwill

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Fujian Wanda Automobile Glass Industry Co., Ltd. (宁德时代)	62,744	62,744
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (宁瓿)	11,934	11,934
	74,678	74,678

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) Fujian Wanda Automobile Glass Industry Co., Ltd.

	Year ended 31 December	
	2016	2015
Gross profit margin	34%	34%
Pre-tax discount rate	11%	11%

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

	Year ended 31 December	
	2016	2015
Gross profit margin	48%	55%
Pre-tax discount rate	9%	9%

As at 31 December 2016 and 2015, management performed the value-to-use calculation and no impairment is identified.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

For the period ended 31 December 2016

9 Investments in a Joint Venture and an Associate

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Share of net assets, unlisted		
– Joint Venture	40,065	46,449
– Associate	61,472	–
	101,537	46,449
Joint Venture		
Beginning of the year	46,449	161,045
– Disposal of joint ventures	–	(34,571)
– Dividends received	(9,800)	(85,584)
– Share of results	3,416	5,559
End of the year	40,065	46,449
Associate		
Beginning of the year	–	–
– Addition (Note 15)	65,000	–
– Share of results	(3,528)	–
End of the year	61,472	–

(a) Joint venture

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

Company name	Country/place and date of incorporation	% of ownership interest	Equity interests attributable to the Group as at 31 December		Principle activities
			2016 RMB'000	2015 RMB'000	
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包装(福州)有限公司)	Fuzhou, the PRC, 2005	49%	40,065	46,449	Production and processing of paper articles and printed matter, especially corrugated paper

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Investments in a Joint Venture and an Associate (Continued)

(a) Joint Venture (Continued)

- (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 2016	46,192	6,127	65,704	3,416	40,065
Year ended 31 December 2015	56,784	10,335	77,283	5,559	46,449

(b) Associate

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

Company name	Country/place and date of incorporation	% of ownership interest	Equity interests attributable to the Group as at 31 December		Principle activities
			2016 RMB'000	2015 RMB'000	
Jinken Glass Industry Shuangliao Co., Ltd. (金聖玻璃工業雙遼有限公司)	Shuangliao, the PRC, 2003	25%	61,472	Note 15	Production and sales of float glass

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

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Loss RMB'000	Net assets RMB'000
Year ended 31 December 2016	58,132	1,320	410	(3,528)	56,812

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

10 Long-Term Prepaid Rental Expenses

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Cost	78,795	78,795
Accumulated amortisation	(45,258)	(33,944)
Net book amount	<u>33,537</u>	<u>44,851</u>

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening net book value	44,851	56,166
Amortisation charges (Note 25)	(11,314)	(11,315)
Closing net book value	<u>33,537</u>	<u>44,851</u>

11 Deferred Income Tax Assets and Liabilities

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Deferred income tax assets:		
- To be recovered within 12 months	116,300	103,463
- To be recovered after more than 12 months	77,104	101,186
	<u>193,404</u>	<u>204,649</u>
Deferred income tax liabilities:		
- To be recovered within 12 months	260	1,254
- To be recovered after more than 12 months	80,148	91,329
	<u>80,408</u>	<u>92,583</u>

the statement of financial position as at 31 December 2016, the amount of tax losses carried forward is RMB1,746,000 (2015: RMB2,228,461,000). The amount of tax losses carried forward is expected to be fully utilised by the end of the reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

11 Deferred Income Tax Assets and Liabilities (Continued)

Movement in deferred income tax assets and liabilities 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 2015	13,799	1,713	7,833	111,851	68,561	892	204,649
Recognised in the consolidated income statements	(12,188)	(644)	(1,110)	32,869	(31,032)	860	(11,245)
At 31 December 2016	1,611	1,069	6,723	144,720	37,529	1,752	193,404

(a) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of related tax

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

For the period ended 31 December 2016

12 Inventories

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Raw materials	1,184,533	1,039,021
Work in process	118,881	83,806
Finished goods	1,480,745	1,366,277
Low value consumables	11,019	16,071
	2,795,178	2,505,175
Less: Write-down to net realisable value	(9,313)	(10,254)
	2,785,865	2,494,921

The cost of inventory recognised as expense and included in 'cost of sales' amounted to approximately RMB4,873,788,000 for 2016 (2015: RMB3,782,457,000) (Note 25).

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	
	2016 RMB'000	2015 RMB'000
At beginning of the year	10,254	12,211
Write-down to net realisable value (Note 25)	11,036	11,718
Write-off of inventory provision	(11,977)	(13,675)
	9,313	10,254
At end of the year	9,313	10,254

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

13 Trade and Other Receivables

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Trade receivables due from third parties (Note(a)):		
Notes receivables	871,598	569,748
Accounts receivables	3,536,762	2,758,178
Less: Provision for impairment	–	(32)
Trade receivables – net	4,408,360	3,327,894
Other receivables due from third parties (Note(b)):		
Other receivables	95,775	73,501
Less: Provision for impairment	–	–
Other receivables – net	95,775	73,501
Amount due from related parties (Note 34(c)):		
Accounts receivables	99,581	4,259
Other receivables	3,154	170
	102,735	4,429
Others:		
Prepayments to suppliers	150,957	178,812
Prepaid income tax and value-added tax recoverable and refundable	194,490	198,943
	345,447	377,755
Trade and other receivables	4,952,317	3,783,579
Less: Non-current portion of prepaid income tax and value-added tax recoverable and refundable	(290)	–
Trade and other receivables – net	4,952,027	3,783,579

As at 31 December 2016 and 2015, the fair value of the current portion 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

13 Trade and Other Receivables (Continued)

As at 31 December 2016 and 2015, the carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
RMB	3,625,078	2,675,646
USD	1,049,138	813,029
EUR	210,470	234,891
Others	67,631	60,013
	4,952,317	3,783,579

- (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 2016 and 2015 was as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Trade receivables – gross		
– Within 3 months	4,108,067	2,947,352
– 3 to 6 months	265,927	347,466
– 6 to 12 months	22,239	24,990
– Over 1 year	12,127	8,118
	4,408,360	3,327,926

As at 31 December 2016, trade receivables of RMB145,264,000 (2015: RMB214,008,000), were past due but not impaired. Based on the past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there is no significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of these trade receivables past due but not impaired is as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
– Within 3 months	110,214	35,595
– 3 to 6 months	17,899	145,288
– 6 to 12 months	14,292	25,007
– Over 1 year	2,859	8,118
	145,264	214,008

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Trade and Other Receivables (Continued)

(a) Impairment

Movements in impairment of trade receivables are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At beginning of the year	32	231
Provision for/(reversal of) impairment	188	(178)
Write-off against uncollectible receivables	(220)	(21)
At the end of the year	—	32

(b) Details of other receivables are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Quality and performance guarantee deposits to customers	27,520	21,964
Payments on behalf of others	15,618	20,341
Receivable in connection with disposal of a subsidiary	12,500	—
Others	40,137	31,196
	95,775	73,501

14 Cash and Cash Equivalents and Restricted Cash

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	7,211,179	5,918,845
Less: Restricted cash ()	(12,345)	(13,687)
Cash and cash equivalents ()	7,198,834	5,905,158

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

14 Cash and Cash Equivalents and Restricted Cash (Continued)

(a) Cash and cash equivalents are denominated in:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
RMB	830,400	295,163
USD	6,251,133	5,581,124
EUR	87,226	15,116
RBL	1,163	90
Others	28,912	13,665
	<u>7,198,834</u>	<u>5,905,158</u>

(b) Details of restricted cash are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Deposits pledged for letter of credit	6,901	6,015
Deposits pledged for notes issuance	—	2,521
Others	5,444	5,151
	<u>12,345</u>	<u>13,687</u>

Restricted cash is denominated in:	As at 31 December	
	2016 RMB'000	2015 RMB'000
– RMB	5,716	2,723
– USD	3,854	3,606
– EUR	2,775	7,358
	<u>12,345</u>	<u>13,687</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

For the period ended 31 December 2016

15 Assets and Liabilities of Disposal Group Classified as Held-for-Sale

On 1 August 2013, the Group signed the equity transfer agreement with Jinyuan Glass Manufacturing Co., Ltd. ("Jinyuan Glass"), an independent third party, to dispose 75% interests in Fuyao Group Shuangliao Co., Ltd. (福耀集團雙遼有限公司, "Fuyao Shuangliao"), a subsidiary of the Group. On 9 September 2014, the Group signed supplementary terms with Jinyuan Glass to dispose the remaining 25% shares of Fuyao Shuangliao which were held by Fuyao (Hong Kong) Co., Ltd.. Accordingly the assets and liabilities of Fuyao Shuangliao are classified as assets and liabilities held-for-sale in the balance sheet as at 31 December 2015.

On 28 July 2016, the Group entered into a new contract with Jinyuan Glass and Huasheng Gas Group Co., Ltd. ("Huasheng Gas"), another independent third party, pursuant to which Fuyao Shuangliao will reduce its registered capital from USD50,028,000 to USD30,028,000, then the Group will dispose 50% interests in Fuyao Shuangliao to Jinyuan Glass and 25% interests in Fuyao Shuangliao to Huasheng Gas at consideration of RMB130,000,000 and RMB65,000,000, respectively. In 2016, the disposal has been completed and all considerations have been settled in cash. The difference between the consideration and the Group's respective share of the net assets of Fuyao Shuangliao is recognised in other gains.

Upon completion of the disposal, the Group owns 25% interests in Fuyao Shuangliao (renamed as "Jinken Glass Industry Shuangliao Co., Ltd.") and accordingly was classified as investment in associate and accounted for using the equity method.

16 Share Capital

Ordinary shares, issued and fully paid:

	As at 31 December				Total share capital RMB'000
	Number of A shares	Number of H shares	A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	
At 1 January 2015	2,002,986	–	2,002,986	–	2,002,986
Issue of H Shares ()	–	505,632	–	505,632	505,632
At 31 December 2015 and 31 December 2016	2,002,986	505,632	2,002,986	505,632	2,508,618

- (a) On 31 March 2015, the Company issued 439,679,600 new ordinary H shares of RMB1 each at HK\$16.80 per share in connection with its global offering and raised gross proceeds of approximately HK\$7,386,617,000 (equivalent to approximately RMB5,850,866,000). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on the same day.

On 28 April 2015, the Company issued 65,951,600 new ordinary H shares of RMB1 each at HK\$16.80 per share by exercising over-allotment option, and raised gross proceeds of approximately HK\$1,107,987,000 (equivalent to approximately RMB875,033,000).

The listing proceeds to the Company, net off listing expenses, were approximately RMB6,523,838,000 resulting in the increase in issued share capital of the Company by RMB505,632,000 and the share premium by RMB6,018,206,000.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

17 Share Premium and Other Reserves

	Share premium <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Other reserves Currency translation differences <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015	184,347	1,102,138	(253,815)	25,480	873,803
Issue of H shares	6,018,206	–	–	–	–
Capital injections from government authorities	–	–	–	900	900
Disposal of joint ventures	–	–	–	(1)	(1)
Appropriate to statutory reserves ()	–	240,941	–	–	240,941
Currency translation differences	–	–	(17,552)	–	(17,552)
At 31 December 2015	6,202,553	1,343,079	(271,367)	26,379	1,098,091
Disposal of subsidiaries	–	–	–	(179)	(179)
Appropriate to statutory reserves ()	–	291,241	–	–	291,241
Currency translation differences	–	–	362,405	–	362,405
At 31 December 2016	6,202,553	1,634,320	91,038	26,200	1,751,558

- (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.

18 Retained Earnings

	Year ended 31 December	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
At 1 January	6,614,026	5,752,510
Profit for the year	3,143,449	2,604,697
Dividends paid	(1,881,463)	(1,502,240)
Appropriation to statutory reserves (Note 17)	(291,241)	(240,941)
At 31 December	7,584,771	6,614,026

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2016

19 Borrowings

Non-current:

- Bank borrowings – unsecured
 - Bank borrowings – guaranteed ()
 - Corporate bond ()
 - Medium-term note ()
- Less: Non-current borrowings due within one year

Current:

- Bank borrowings – unsecured
 - Bank borrowings – guaranteed ()
 - Commercial papers ()
- Add: Non-current borrowings due within one year

Total borrowings

As at 31 December	
2016 RMB'000	2015 RMB'000
1,584,000	1,483,000
–	200,000
797,531	–
–	399,589
(808,000)	(1,234,589)
1,573,531	848,000
3,137,672	2,636,462
1,117,365	–
608,605	–
808,000	1,234,589
5,671,642	3,871,051
7,245,173	4,719,051

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

For the period ended 31 December 2016

19 Borrowings (Continued)

- (d) Corporate bond, commercial papers and medium-term notes are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost by using effective interest method. The carrying amounts of corporate bond, medium-term notes and commercial papers as at 31 December 2016 are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Corporate bond		
Note-16 Fuyao 01	797,531	—
Medium-term notes		
Note-11 Fuyao MTN1	—	399,589
Commercial papers		
Note-16 Fuyao Glass SCP003	305,746	—
Note-16 Fuyao Glass SCP004	302,859	—
	1,406,136	399,589

- (e) The borrowings are denominated in the following currencies:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Borrowings:		
– RMB	6,156,921	4,427,589
– EUR	58,454	198,666
– USD	1,029,798	44,165
– RBL	—	48,631
	7,245,173	4,719,051

- (f) 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	
	2016 RMB'000	2015 RMB'000
6 months or less	6,418,086	3,526,051
Between 6 and 12 months	827,087	1,193,000
	7,245,173	4,719,051

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

19 Borrowings (Continued)

(g) The maturity of borrowings is as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within 1 year	5,671,642	3,871,051
Between 1 and 2 years	726,000	798,000
Between 2 and 5 years	847,531	50,000
	7,245,173	4,719,051

(h) The weighted average effective interest rates per annum for the year of 2016 were as follows:

Borrowings:	As at 31 December	
	2016	2015
– USD	1.67%	3.22%
– RBL	12.63%	11.17%
– EUR	0.52%	1.04%
– RMB	2.90%	4.25%

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.

(i) The fair values of current borrowings approximate their carrying amounts as the impact of discounting 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	
	2016 RMB'000	2015 RMB'000
Carrying amount	1,573,531	848,000
Fair value	1,533,099	844,000

The fair values of non-current borrowings 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 2 of the fair value hierarchy.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

20 Deferred Income on Government Grants

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Current portion	19,905	18,515
Non-current portion	461,923	368,472
	481,828	386,987

	For the year ended 31 December	
	2016 RMB'000	2015 RMB'000
At beginning of the year	386,987	349,967
Government grants received during the year ()	114,276	51,426
Credited to the consolidated income statements (Note 23)	(21,372)	(14,406)
Currency translation difference	1,937	-
At end of the year	481,828	386,987

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

21 Trade and Other Payables

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Trade payables to third parties	1,280,324	834,815
Notes payable	613,982	460,160
Staff salaries and welfare payables	420,292	353,760
Payables for purchasing of property, plant and equipment	415,374	369,553
Accrued taxes other than income tax	123,283	73,202
Amount due to related parties (Note 34)	39,213	78,336
Advance from customers	21,436	33,985
Interest payables	15,286	22,643
Other payables and accruals	655,922	714,216
	3,585,112	2,940,670

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) As at 31 December 2016

21 Trade and Other Payables (Continued)

- (a) As at 31 December 2016 and 2015, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables, the advance from customers and accrued taxes

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

For the period ended 31 December 2016

22 Revenue and Cost of Sales

Revenue and Cost of Sales by Product

	Year ended 31 December			
	2016		2015	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Automobile glasses	16,145,326	10,206,223	13,137,757	8,323,966
Float glasses	2,729,026	1,930,243	2,485,240	1,908,418
Others	404,319	169,484	461,607	217,240
	19,278,671	12,305,950	16,084,604	10,449,624
Less: Intra-group sales	(2,657,335)	(2,657,335)	(2,511,109)	(2,511,109)
	16,621,336	9,648,615	13,573,495	7,938,515

Revenue by Geographical Areas

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
The PRC	10,974,910	9,067,998
Other countries	5,646,426	4,505,497
	16,621,336	13,573,495

23 Other Income

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Government grants		
– Relating to income (Note 20)	68,170	83,430
– Relating to assets (Note 20)	21,372	14,406
	89,542	97,836

- (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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

24 Other Gains – Net

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Exchange gains – net	458,716	466,734
Gain on disposals of subsidiaries (Note 15)	42,069	–
Gain on disposals of intangible assets	1,628	–
Changes in fair value of the derivative financial instruments	2,777	(2,809)
Loss on disposal of property, plant and equipment (Note 31)	(18,944)	(65,685)
Donation	(682)	(49,838)
Gain on disposal of joint ventures	–	18,223
Others	8,221	9,172
	493,785	375,797

25 Expenses by Nature

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Raw materials and consumables used	5,024,272	4,017,664
Employee benefit expenses (Note 26)	2,937,460	2,033,716
Utilities	1,578,649	1,716,058
Depreciation of property, plant and equipment (Note 6)	1,201,292	985,008
Transportation and storage expenses	561,082	478,511
Packing expenses	301,038	289,608
Changes in inventories of finished goods and work in progress	(150,484)	(235,207)
Taxes and levies	208,258	181,400
Repair and maintenance fee	215,325	148,023
Inventory scrap loss	159,262	18,463
Operating lease expenses	66,024	51,017
Insurance expenses	56,944	53,534
After-sale service costs	52,928	46,495
Amortisation of leasehold land and land use rights (Note 7)	24,033	22,470
Amortisation of intangible assets (Note 8)	18,808	13,790
Amortisation of long-term prepaid rental expenses (Note 10)	11,314	11,315
Write-down of inventories to the net realisable value (Note 12)	11,036	11,718
Auditor's remuneration – Audit services	4,953	4,387
Provision/(reversal) of impairment of trade and other receivables (Note 13)	188	(178)
Others	952,185	992,066
	13,234,567	10,839,858

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED) For the year ended 31 December 2016

26 Employee Benefit Expenses (including Directors, Supervisors and Senior Management's Emoluments)

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Salaries, wages and bonuses	2,491,167	1,727,662
Pension, housing fund, medical insurance and other social insurance	386,595	260,572
Others	59,698	45,482
	<u>2,937,460</u>	<u>2,033,716</u>

(a) Pensions – Defined Contribution Plans

Contributions totalling RMB5,573,000 (2015: RMB4,499,000) 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 three (2015: three) directors and supervisors whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining two (2015: two) individuals during the year are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Salaries, wages and bonuses	5,903	5,481
Pension, housing fund, medical insurance and other social insurance	245	229
Others	424	299
	<u>6,572</u>	<u>6,009</u>

The emoluments fell within the following bands:

Emoluments bands	Year ended 31 December	
	2016	2015
HKD1,000,001 to HKD2,000,000	–	–
HKD2,000,001 to HKD3,000,000	–	1
HKD3,000,001 to HKD4,000,000	1	–
HKD4,000,001 to HKD5,000,000	1	1
	<u>2</u>	<u>2</u>

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 period ended 31 December 2016

27 Finance Costs – Net

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Finance income:		
Interest income	(106,576)	(19,725)
Finance cost:		
Interest on borrowings	201,369	236,629
Less: Borrowing costs capitalised (Note 16)	(46,376)	(46,698)
Interest expense on borrowings	154,993	189,931
Amortisation of transaction costs in respect of issuance of corporate bond, medium-term note and commercial papers	2,720	581
	157,713	190,512
Finance costs – net	51,137	170,787

28 Income Tax Expense

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current income tax	777,839	431,729
Deferred income tax (Note 11)	(930)	3,497
Income tax expense	776,909	435,226

(a) PRC Corporate Income Tax

In accordance with the PRC tax laws, standard corporate income tax rate is 25%. 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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

28 Income Tax Expense (Continued)

(b) Hong Kong Profits Tax

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

(c) North American Profits Tax

North American profits tax has been provided for at the rates between 37% and 41% on the estimated assessable profits during the year.

(d) Russian Profits Tax

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

(e) German Profits Tax

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

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit before tax	3,918,847	3,042,042
Tax calculated at the applicable income tax rate	1,025,661	768,622
Tax effect of:		
Preferential income tax rate	(458,688)	(438,535)
Expenses not deductible for tax purpose	1,043	12,629
Income not subject to income tax	(272)	(5,559)
Unrecognised tax losses carried forward	240,915	137,464
Utilisation of previously unrecognised tax losses	(402)	(1,120)
Withholding taxation on unremitted earnings of certain subsidiaries	3,583	7,445
Others	(34,931)	(45,720)
Income tax expense	776,909	435,226

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 31 December 2016

29 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	
	2016	2015
Net profit attributable to the equity holders of the Company (RMB'000)	3,143,449	2,604,697
Weighted average number of ordinary shares in issue (in thousands)	2,508,618	2,376,714
Basic earnings per share (RMB)	1.25	1.10

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

31 Cash Generated from Operations

(a) Reconciliation of Profit Before Income Tax to Net Cash Generated from Operations

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit for the year before income tax	3,918,847	3,042,042
Adjustments for:		
Depreciation of property, plant and equipment (Note 6)	1,201,292	985,008
Amortisation of leasehold land and land use rights (Note 7)	24,033	22,470
Amortisation of intangible assets (Note 8)	18,808	13,790
Losses on disposals of property, plant and equipment (Note 24)	18,944	65,685
Gains on disposals of intangible assets (Note 24)	(1,628)	–
Gains on disposals of subsidiaries and joint ventures (Note 24)	(42,069)	(18,223)
Amortisation of deferred income on government grants (Note 20, 23)	(21,372)	(14,406)
Amortisation of long-term prepaid rental expense (Note 10)	11,314	11,315
Interest income (Note 27)	(106,576)	(19,725)
Interest expenses (Note 27)	157,713	190,512
Exchange gain on cash and cash equivalents	(404,369)	(299,879)
Share of results of a joint venture and an associate (Note 9)	112	(5,559)
Provision/(reversal) of provision for impairment of receivables (Note 13)	188	(178)
Provision for impairment of inventories (Note 12)	11,036	(1,957)
Change in fair value of derivatives (Note 24)	(2,777)	2,809
	4,783,496	3,973,704
Changes in working capital:		
Increase in inventories	(290,003)	(287,101)
Increase in trade and other receivables	(992,569)	(179,205)
Increase/(decrease) in trade and other payables	644,442	(36,951)
Cash generated from operations	4,145,366	3,470,447

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Cash Generated from Operations (Continued)

- (b) In the Consolidated Cash Flow Statements, Proceeds from Disposal of Properties, Plant and Equipment Comprise:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Net book amount (Note 6)	71,669	114,791
Loss on disposal (Note 24)	(18,944)	(65,685)
Proceeds from disposal	<u>52,725</u>	<u>49,106</u>

- (c) In the Consolidated Cash Flow Statements, Proceed from Disposal of Subsidiaries Comprise:

	Fuzhou Fuyao Mold Technology Co., Ltd. RMB'000	Baoding Fuyao Glass Co., Ltd. RMB'000	Fuyao Shuangliao RMB'000	Total RMB'000
Total consideration of disposal of subsidiaries	68,827	25,000	195,000	288,827
Less: Consideration to be received	—	(12,500)	—	(12,500)
Consideration received in prior years	—	—	(60,000)	(60,000)
Consideration received in current year	68,827	12,500	135,000	216,327
Less: Cash and cash equivalents of the subsidiaries	(3,723)	(58)	(29)	(3,810)
Net cash inflow from the disposal of subsidiaries	<u>65,104</u>	<u>12,442</u>	<u>134,971</u>	<u>212,517</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

32 Contingencies

As at 31 December 2016, the Group did not have any significant contingent liabilities.

33 Commitments

(a) Capital Commitments

As at 31 December 2016, capital expenditure contracted for, but not yet incurred is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Authorised and contracted for:		
– Property, plant and equipment	1,313,311	1,465,948
Authorised but not contracted for:		
– Investment in subsidiaries	1,389,120	1,194,205
– Property, plant and equipment	1,268,087	1,470,075
	2,657,207	2,664,280

(b) Operating Lease Commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
No later than 1 year	21,217	21,572
Later than 1 year and no later than 2 year	21,217	21,572
Later than 2 year and no later than 5 year	–	21,572
	42,434	64,716

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CON IN ED)

F U J I A I I 31 D I I I 2016

34 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 2016 and 2015, and balances arising from related party transactions as at 31 December 2016 and 2015.

(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
Home Bridge Overseas Ltd. (鴻僑海外有限公司)	Shareholder of the Company, which is controlled by the single largest shareholder
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Jointly venture of the Group
Ningbo Hongxie Clutch Automobile Parts Co., Ltd. (寧波宏協承汽車部件有限公司)	Former jointly venture of the Group, till July 2016
Fujian Hongxie Clutch Automobile Parts Co., Ltd. (福建宏協承汽車部件有限公司)	Former jointly venture of the Group, till July 2016
Chongqing Hongxie Clutch Automobile Parts Co., Ltd. (重慶宏協承汽車部件有限公司)	Subsidiary of a former jointly venture of the Group, till July 2016
Hubei Jierui Automotive Glass Co., Ltd. (湖北捷瑞汽車玻璃有限公司)	Controlled by the senior management of the Group
Hunan Jierui Automotive Glass Co., Ltd. (湖南捷瑞汽車玻璃有限公司)	Controlled by the senior management of the Group
Jinken Glass Industry Shuangliao Co., Ltd. (金壘玻璃工業雙遼有限公司)	Associate of the Group
Fujian Triplex Automotive Decoration Co., Ltd. (Formerly known as "Fujian Triplex Auto Parts Development Co., Ltd.") (福建三鋒汽車飾件有限公司, 原"福建三鋒汽配開發有限公司")	Controlled by the director of the Group
Fuzhou Fuyao Mold Technology Co., Ltd. (福州福耀模具科技有限公司)	Controlled by the director of the Group
Fujian Triplex Automobile Servin Co., Ltd. (福建三鋒汽車服務有限公司)	Controlled by the director of the Group
Fujian Triplex Machinery Technology Co., Ltd. (福建三鋒機械科技有限公司)	Controlled by the director of the Group
Fujian Triplex Group Holdings Co., Ltd. (福建三鋒控股集團有限公司)	Controlled by the director of the Group

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Fujian Glass Industry Group Co., Ltd. 31 December 2016

34 Related Party Transactions (Continued)

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

Continuing transactions

(i) Sales of goods

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Fujian Triplex Automobile Service Co., Ltd.*	291,865	–
Fujian Triplex Automotive Decoration Co., Ltd.*	7,848	159
Hubei Jierui Automotive Glass Co., Ltd.*	4,161	14,669
Tri-Wall Packaging (Fuzhou) Co., Ltd.	3,010	3,681
Fujian Hongxie Clutch Automobile Parts Co., Ltd.	2,037	14,480
Hunan Jierui Automotive Glass Co., Ltd.*	1,075	1,806
Fuzhou Fuyao Mold Technology Co., Ltd.*	224	–
Fujian Triplex Machinery Technology Co., Ltd.*	145	2
Chongqing Hongxie Clutch Automobile Parts Co., Ltd.	–	123
Ningbo Hongxie Clutch Automobile Parts Co., Ltd.	–	124
	310,365	35,044

(ii) Purchase of goods

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Fujian Triplex Machinery Technology Co., Ltd.*	108,940	13,199
Fuzhou Fuyao Mold Technology Co., Ltd.*	105,119	–
Tri-Wall Packaging (Fuzhou) Co., Ltd.	94,629	125,771
Ningbo Hongxie Clutch Automobile Parts Co., Ltd.	58,904	113,776
Fujian Hongxie Clutch Automobile Parts Co., Ltd.	42,750	88,062
Fujian Triplex Automotive Decoration Co., Ltd.*	27,304	–
Chongqing Hongxie Clutch Automobile Parts Co., Ltd.	14,578	23,276
Jinken Glass Industry (Shuangliao) Co., Ltd.	1,491	–
	453,715	364,084

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Fujian Triples 31 December 2016

34 Related Party Transactions (Continued)

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

(iii) Rental income

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Fujian Triplex Machinery Technology Co., Ltd.*	1,634	–
Fujian Triplex Automotive Decoration Co., Ltd.*	1,423	–
Tri-Wall Packaging (Fuzhou) Co., Ltd.	60	66
Fujian Hongxie Clutch Automobile Parts Co., Ltd.	–	6,135
Chongqing Hongxie Clutch Automobile Parts Co., Ltd.	–	29
	3,117	6,230

(iv) Rental expenses

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Fujian Yaohua Industry Zone Development Co., Ltd.*	20,926	17,301

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary course of business of the Group and in accordance with the term of the underlying agreements.

(v) Disposal of a subsidiary

Purchaser	Subsidiary disposed	Consideration	% of equity interest disposed
Fujian Triplex Holding Group Co., Ltd.*	Fuzhou Fuyao Mold Technology Co., Ltd.	68,827	100%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

34 Related Party Transactions (Continued)

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

(vi) Key management compensation

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Salaries, wages and bonuses	26,719	21,431
Pension, housing fund, medical insurance and other social insurance	642	556
Others	691	548
	<u>28,052</u>	<u>22,535</u>

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

(c) Balances with Related Parties

Amount due from related parties

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Trade receivables (.)	99,581	4,259
Other receivables (.)	3,154	170
Prepayments (..)	5,425	2,843
	<u>108,160</u>	<u>7,272</u>

	As at 31 December	
	2016 RMB'000	2015 RMB'000
(i) Trade receivables:		
Fujian Triplex Automobile Servin Co., Ltd.	99,581	–
Fujian Hongxie Clutch Automobile Parts Co., Ltd.	–	2,466
Hubei Jierui Automotive Glass Co., Ltd.	–	1,475
Fujian Triplex Automotive Decoration Co., Ltd.	–	185
Hunan Jierui Automotive Glass Co., Ltd.	–	131
Fujian Triplex Machinery Technology Co., Ltd.	–	2
	<u>99,581</u>	<u>4,259</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

34 Related Party Transactions (Continued)

(c) Balances with Related Parties (Continued)

Amount due from related parties (Continued)

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

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within 3 months	99,581	4,259

	As at 31 December	
	2016 RMB'000	2015 RMB'000
(ii) Other receivables:		
Fujian Triplex Automotive Decoration Co., Ltd.	1,929	1
Tri-Wall Packaging (Fuzhou) Co., Ltd.	290	88
Fujian Triplex Machinery Technology Co., Ltd.	912	–
Fuzhou Fuyao Mold Technology Co., Ltd.	23	–
Ningbo Hongxie Clutch Automobile Parts Co., Ltd.	–	49
Fujian Hongxie Clutch Automobile Parts Co., Ltd.	–	32
	3,154	170

	As at 31 December	
	2016 RMB'000	2015 RMB'000
(iii) Prepayment:		
Fujian Triplex Machinery Technology Co., Ltd.	5,420	2,843
Tri-Wall Packaging (Fuzhou) Co., Ltd.	5	–
	5,425	2,843

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

34 Related Party Transactions (Continued)

(c) Balances with Related Parties (Continued)

Amount due to related parties

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Trade payables ()	19,896	74,298
Other payables ()	19,317	4,038
	<u>39,213</u>	<u>78,336</u>

	As at 31 December	
	2016 RMB'000	2015 RMB'000
(iv) Trade payables:		
Fujian Triplex Machinery Technology Co., Ltd.	9,958	4,172
Fujian Triplex Automotive Decoration Co., Ltd.	8,324	–
Tri-Wall Packaging (Fuzhou) Co., Ltd.	1,165	8,413
Jinken Glass Industry (Shuangliao) Co., Ltd.	401	–
Fuzhou Fuyao Mold Technology Co., Ltd.	48	–
Ningbo Hongxie Clutch Automobile Parts Co., Ltd.	–	36,996
Fujian Hongxie Clutch Automobile Parts Co., Ltd.	–	17,859
Chongqing Fuyao Automobile Parts Co., Ltd.	–	6,858
	<u>19,896</u>	<u>74,298</u>

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

	As at 31 December	
	2016 RMB'000	2015 RMB'000
– Within 3 months	19,406	69,680
– 3 to 6 months	436	1,264
– 6 to 12 months	54	3,354
	<u>19,896</u>	<u>74,298</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Related Party Transactions (Continued)

(c) Balances with Related Parties (Continued)

Amount due to related parties (Continued)

(v) Other payables to related parties:

Fuzhou Fuyao Mold Technology Co., Ltd.
Jinken Glass Industry (Shuangliao) Co., Ltd.
Fujian Triplex Machinery Technology Co., Ltd.
Fujian Triplex Automotive Decoration Co., Ltd.
Tri-Wall Packaging (Fuzhou) Co., Ltd.
Ningbo Hongxie Clutch Automobile Parts Co., Ltd.
Fujian Hongxie Clutch Automobile Parts Co., Ltd.

As at 31 December

2016 RMB'000	2015 RMB'000
8,675	–
8,304	–
1,999	158
330	–
9	98
–	2,995
–	787
19,317	4,038

35 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2016 are set out below:

Company name	Country/ place and 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) Co., Ltd. (福耀(香港)有限公司)	Hong Kong, December 1994	USD49,739	100%	Direct	Investment holding company
Fuyao Group (Hongkong) Limited (福耀集團(香港)有限公司)	Hong Kong, January 2010	USD1,000	100%	Direct	Sales of automobile glass
Yung Tak Investment Limited (融德投資有限公司)	Hong Kong, May 1993	HKD100	100%	Indirect	Property lease
Meadland Limited (Meadland Limited)	Hong Kong, December 1998	USD8,200	100%	Indirect	Investment holding company
Fuyao North America Incorporated (福耀北美玻璃工業有限公司)	U.S.A., August 2001	USD8,000	100%	Direct	Sales of automobile glass
Fuyao Automotive North America, INC. (福耀玻璃配套北美有限公司)	U.S.A., June 2008	USD16,000	100%	Direct	Sales of automobile glass
Fuyao Group Korea Co., Ltd. (福耀集團韓國株式會社)	Korea, September 2007	KRW500,000	100%	Direct	Sales of automobile glass
Fuyao Japan Co., Ltd. (福耀日本株式會社)	Japan, July 2008	JPY10,000	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 525	100%	Indirect	Distribution service of automobile glass

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

F U Y A O G L A S S I N D U S T R Y G R O U P C O . L T D . 2 0 1 6

35 Subsidiaries (Continued)

Company name	Country/ place and date of incorporation	Issued and paid up capital/ registered capital (‘000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd. (福耀集團(福建)機械製造有限公司)	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)	PRC, July 1994	RMB535,150	100%	Direct	Production and sales of automobile glass
Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司)	PRC, September 2000	RMB300,000	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)	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)	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)	PRC, March 2007	RMB200,000	100%	Indirect	Production of special glass and high class bus glass
Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司)	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)	PRC, October 2003	RMB500,000	100%	Direct	Production and sales of float glass
Fuyao Group (Fujian) Engineering Glass Co., Ltd. (福耀集團(福建)工程玻璃有限公司)	PRC, October 1996	USD40,000	100%	Indirect	Production and sales of Engineering 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)	PRC, April 2003	USD55,200	100%	Direct	Production and sales of automobile glass
Fuyao Glass Chongqing Co., Ltd. (福耀玻璃(重慶)有限公司)	PRC, March 2004	USD35,000	100%	Direct	Production and sales of automobile glass
Fuyao (Fujian) Bus Glass Co., Ltd. (福耀(福建)巴士玻璃有限公司)	PRC, November 2006	RMB200,000	100%	Direct	Production of special glass and inorganic non-metallic material
Fuyao Glass (Hubei) Co., Ltd. (福耀玻璃(湖北)有限公司)	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)	PRC, June 2006	USD75,000	100%	Indirect	Production of special glass and inorganic non-metallic material
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (海南文昌福耀硅砂有限公司)	PRC, July 2006	RMB40,000	100%	Direct	Exploitation and sales of mineral
Fuyao Fujian Glass Encapsulation Co., Ltd. (福耀(福建)玻璃包邊有限公司)	PRC, August 2006	RMB10,000	100%	Direct	Production and sales of plastic bonding and rubber
Fuyao Guangzhou Nansha Automotive Glass Co., Ltd. (廣州南沙福耀汽車玻璃有限公司)	PRC, November 2005	USD700	100%	Indirect	Sales of automobile glass
Fuyao (Changchun) Bus Glass Co., Ltd. (福耀(長春)巴士玻璃有限公司)	PRC, January 2004	USD4,850	100%	Indirect	Production of special glass and high class bus glass
Chongqing Wansheng Float Glass Co., Ltd. (重慶萬盛浮法玻璃有限公司)	PRC, April 2009	RMB300,000	100%	Direct	Production and sales of float glass

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

35 Subsidiaries (Continued)

Company name	Country/ place and date of incorporation	Issued and paid up capital/ registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Zhengzhou Fuyao Glass Co., Ltd. (鄭州福耀玻璃有限公司)	PRC, April 2011	RMB200,000	100%	Direct	Production and sales of automobile glass
Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司)	PRC, March 2012	RMB10,000	100%	Indirect	Sales of automobile glass
Xupu Fuyao Silica Sand Co., Ltd. (溱浦福耀矽砂有限公司)	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)	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, November 2011	USD110,656	100%	Direct	Production and sales of automobile glass
Fuzhou Fuyao Float Glass Co., Ltd. (福州福耀浮法玻璃有限公司)	PRC, November 2012	RMB700,000	100%	Indirect	Production and sales of float glass
Chengdu Lvrong Automotive Glass Co., Ltd. (成都綠榕汽車玻璃有限公司)	PRC, December 2012	RMB25,000	100%	Indirect	Production and sales of automobile glass
Yantai Fuyao Glass Co., Ltd. (煙台福耀玻璃有限公司)	PRC, June 2013	RMB60,000	100%	Indirect	Sales of automobile glass
Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司)	PRC, July 2013	RMB30,000	100%	Indirect	Sales of automobile glass
Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司)	PRC, September 2013	RMB20,000	100%	Indirect	Storage and assembly of automobile glass
Benxi Fuyao Silica Sand Co., Ltd. (本溪福耀矽砂有限公司)	PRC, May 2014	RMB60,000	51%	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	USD160,000	100%	Direct	Production and sales of automobile glass
Fuyao Asset Management A, LLC (福耀資產A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	USD1.0	100%	Indirect	Production and sales of float glass
Fuyao Asset Management C, LLC (福耀資產C公司)	U.S.A., August 2014	USD0.8	100%	Indirect	Property lease
Tianjin Hongde Auto Glass Co., Ltd. (天津泓德汽車玻璃有限公司)	PRC, May 2015	RMB100,000	100%	Direct	Production and sales of automobile glass
Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司) ()	PRC, December 2016	RMB500,000	100%	Direct	Production and sales of float glass

(a) On 8 December, 2016, the Company established Benxi Float Glass Co., Ltd., with registered capital of RMB500,000,000. As of 31 December, 2016, the registered capital of Benxi Float Glass Co., Ltd. is still not paid yet.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

36 Balance Sheet and Reserve Movement of the Company

Balance Sheet of the Company

	As at 31 December	
	2016 RMB'000	2015 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	674,998	766,913
Leasehold land and land use rights	39,476	40,557
Intangible assets	66,795	70,166
Investments in subsidiaries	5,514,924	5,108,666
Investments in a joint venture	26,189	26,189
Long-term receivables	155,389	380,242
Deferred income tax assets	5,893	9,475
	6,483,664	6,402,208
Current assets		
Inventories	426,578	519,827
Trade and other receivables	11,277,046	7,283,234
Cash and cash equivalents	6,587,731	5,809,618
	18,291,355	13,612,679
Asset held-for-sale	—	280,000
	18,291,355	13,892,679
Total assets	24,775,019	20,294,887

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

36 Balance Sheet and Reserve Movement of the Company (Continued)

Balance Sheet of the Company (Continued)

		As at 31 December	
		2016	2015
		RMB'000	RMB'000
EQUITY			
Share capital		2,508,618	2,508,618
Share premium		6,202,553	6,202,553
Other reserves	(Note (a))	1,634,320	1,343,079
Retained earnings	(Note (a))	3,401,546	2,655,459
Total equity		13,747,037	12,709,709
LIABILITIES			
Non-current liabilities			
Borrowings		1,573,531	848,000
Deferred income tax liabilities		35,782	32,322
Deferred income on government grants		25,649	8,469
		1,634,962	888,791
Current liabilities			
Trade and other payables		7,403,739	5,298,059
Current income tax liabilities		144,464	112,593
Borrowings		1,843,277	1,283,420
Derivative financial instruments		–	775
Current portion of deferred income on government grants		1,540	1,540
		9,393,020	6,696,387
Total liabilities		11,027,982	7,585,178
Total equity and liabilities		24,775,019	20,294,887

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

36 Balance Sheet and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

	Retained earnings <i>RMB'000</i>	Other reserves <i>RMB'000</i>
At 1 January 2015	1,918,465	1,102,136
Profit for the year	2,480,175	-
Appropriation to statutory reserve	(240,941)	240,941
Dividends paid relating to 2014	(1,502,240)	-
	<u>2,655,459</u>	<u>1,343,079</u>
At 31 December 2015	2,655,459	1,343,079
At 1 January 2016	2,655,459	1,343,079
Profit for the year	2,918,791	-
Appropriation to statutory reserve	(291,241)	291,241
Dividends paid relating to 2015	(1,881,463)	-
	<u>3,401,546</u>	<u>1,634,320</u>
At 31 December 2016	3,401,546	1,634,320

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) 附註(續) 31 December 2016

37 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 2016 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses 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	–	2,843	–	268	3,111
Mr. Chen Xiangming	–	1,869	60	–	1,929
Mr. Chen Jicheng (.)	–	4,930	38	–	4,968
Non-executive directors					
Mr. Tso Fai	–	3,253	46	–	3,299
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Cheng Yan	150	–	–	–	150
Ms. Liu Xiaozhi	150	–	–	–	150
Mr. Wu Yuhui	150	–	–	–	150
Supervisors					
Mr. Bai Zhaohua	–	703	13	–	716
Mr. Chen Mingsen	150	–	–	–	150
Mr. Ni Shiyou	150	–	–	–	150
	930	13,598	157	268	14,953

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2016

37 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 2015 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses 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	–	649	–	249	898
Mr. Chen Xiangming	–	1,749	52	–	1,801
Mr. Chen Jicheng (.)	–	3,451	52	–	3,503
Non-executive directors					
Mr. Tso Fai	–	3,011	39	–	3,050
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Cheng Yan	150	–	–	–	150
Ms. Liu Xiaozhi	150	–	–	–	150
Mr. Wu Yuhui	150	–	–	–	150
Supervisors					
Mr. Bai Zhaohua	–	2,322	13	–	2,335
Mr. Chen Mingsen	–	125	–	–	125
Mr. Ni Shiyong	–	125	–	–	125
Mr. Lin Houtan (..)	–	88	–	–	88
Mr. Zhou Zunguang (...)	–	1,459	52	–	1,511
Ms. Zhu Xuanli (...)	–	302	52	–	354
	630	13,281	260	249	14,420

Notes:

- (i) Mr. Chen Jicheng resigned from executive director on 26 April 2016.
- (ii) Mr. Lin Houtan resigned from supervisor on 8 July 2015.
- (iii) Mr. Zhou Zunguang and Ms. Zhu Xuanli resigned from supervisor on 10 March 2015.

Section XIII Business Performance Highlights for the Previous Five Years

CONSOLIDATED INCOME STATEMENT:

Unit: '000 CNY ; RMB

Item	Year ended 31 December				
	2016	2015	2014	2013	2012
Revenue	16,621,336	13,573,495	12,928,182	11,501,210	10,247,391
Cost of sales	9,648,615	7,938,515	7,565,501	6,830,550	6,419,884
Gross profit	6,972,721	5,634,980	5,362,681	4,670,660	3,827,507
Distribution costs	1,184,740	1,020,585	982,165	876,776	778,540
Administrative expenses	1,673,626	1,287,869	1,031,342	907,576	762,544
Research and development expenses	727,586	592,889	517,924	388,758	236,461
Other income	89,542	97,836	46,017	54,297	62,917
Other gains/(losses) – net	493,785	375,797	-43,091	177	-48,342
Operating profit	3,970,096	3,207,270	2,834,176	2,552,024	2,064,537
Finance income	106,576	19,725	14,362	3,116	2,198
Finance costs	157,713	190,512	241,223	202,297	226,203
Finance costs – net	51,137	170,787	226,861	199,181	224,005
Share of results of joint venture and associate	-112	5,559	31,029	25,748	21,539
Profit before income tax	3,918,847	3,042,042	2,638,344	2,378,591	1,862,071
Income tax expense	776,909	435,226	421,567	461,924	337,942
Profit for the year	3,141,938	2,606,816	2,216,777	1,916,667	1,524,129
Profit attributable to:					
Equity holders of the Company	3,143,449	2,604,697	2,219,245	1,917,099	1,524,259
Non-controlling interests	-1,511	2,119	-2,468	-432	-130
Profit for the year	3,141,938	2,606,816	2,216,777	1,916,667	1,524,129
Basic earnings per share	1.25	1.10	1.11	0.96	0.76
Diluted earnings per share	1.25	1.10	1.11	0.96	0.76

CONSOLIDATED BALANCE SHEET

Unit: '000 CNY ; RMB

Item	As at 31 December				
	2016	2015	2014	2013	2012
Total assets	29,879,729	24,841,632	16,890,937	14,683,141	13,160,359
Total liabilities	11,827,301	8,411,905	8,072,971	6,821,546	6,168,810
Total equity	18,052,428	16,429,727	8,817,966	7,861,595	6,991,549