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

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

(Stock Code: 3606)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

The Company is pleased to announce that the unaudited 2019 annual results of the Group prepared for the year ended December 31, 2019 in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. For the year ended December 31, 2019:

- The revenue was RMB21,103,878,000, representing an increase of 4.35% over 2018.
- Profit before taxation was RMB3,230,573,000, representing a decrease of 34.89% over 2018.
- The annual profit attributable to equity shareholders of the Company was RMB2,897,868,000, representing a decrease of 29.66% over 2018.
- Earnings per share was RMB1.16, representing a decrease of 29.27% over 2018.
- Profit before taxation decreased by 34.89% as compared with that of 2018, the specific main reasons please refer to "2. Review of operational results for the Reporting Period " under "II. Management Discussion and Analysis".

The financial information disclosed in the annual results announcement is based on the Group's consolidated management accounts for the year ended December 31, 2019, which has been reviewed and confirmed by the Board of Directors and its audit committee. However, due to the outbreak of novel coronavirus pneumonia in China, which has hindered the operation of enterprises in China and in particular, has resulted in significant difficulties for auditors to obtain audit evidence of Fuyao Glass (Hubei) Co., Ltd., a wholly-owned subsidiary of the Company, which leads to the delay in the annual audit work performed by the Company and its auditors, the relevant financial information in this announcement has not undergone the annual audit and may differ from the audited results of the Group.

The Company expects that the annual audit will be completed in April 2020, and plans to convene a Board meeting in April 2020 to consider the audited annual results for 2019 and the recommendation of distribution of dividends for 2019 (if any). The Company will make further announcement(s) as and when appropriate.

The board of directors (the "**Board of Directors**" or the "**Board**") of Fuyao Glass Industry Group Co., Ltd. (the "**Company**") is pleased to announce the unaudited 2019 annual results (the "**Annual Results**") of the Company and its subsidiaries (together, the "**Group**") prepared for the year ended December 31, 2019 (the "**Reporting Period**") in accordance with International Financial Reporting Standards ("**IFRSs**") promulgated by the International Accounting Standards Board. The Board of Directors and its audit committee have reviewed and confirmed the Annual Results.

I. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED BALANCE SHEET

		As at December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**18,037,545**	17,115,147
Right-of-use assets		**701,329**	–
Land use rights		**1,050,928**	1,050,397
Intangible assets		**376,042**	277,372
Investments in a joint venture		**43,948**	40,680
Investments in associates		**155,857**	165,057
Long-term prepaid rental expenses		**–**	20,144
Deferred income tax assets		**518,505**	252,461
Other non-current assets		**180,000**	843
		21,064,154	18,922,101
Current assets			
Inventories		**3,280,465**	3,241,740
Trade and other receivables	4	**4,480,829**	5,538,623
Financial assets at fair value through profit or loss		**860,894**	387,262
Financial assets at fair value through other comprehensive income	4	**795,936**	–
Derivative financial instruments		**85**	47,542
Restricted cash		**3,485**	8,317
Cash and cash equivalents		**8,352,669**	6,357,656
		17,774,363	15,581,140
Total assets		**38,838,517**	34,503,241

		As at December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**2,508,618**	2,508,618
Share premium		**6,202,553**	6,202,553
Other reserves		**2,830,500**	2,329,412
Retained earnings		**9,840,932**	9,163,125
		21,382,603	20,203,708
Non-controlling interests		**-1,285**	-1,034
Total equity		**21,381,318**	20,202,674
LIABILITIES			
Non-current liabilities			
Borrowings		**1,193,000**	1,246,875
Lease liabilities		**571,282**	–
Long-term payables		**72,491**	–
Deferred income tax liabilities		**161,080**	159,749
Deferred income on government grants		**673,449**	489,112
		2,671,302	1,895,736

		As at December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	5	**4,206,392**	4,274,338
Contract liabilities	6	**695,400**	594,503
Current income tax liabilities		**264,917**	331,863
Borrowings		**9,525,806**	7,153,326
Derivative financial instruments		**3,795**	3,078
Current portion of Lease liabilities		**85,983**	–
Current portion of Long-term payables		**3,604**	–
Current portion of deferred income on government grants		**–**	47,723
		14,785,897	12,404,831
Total liabilities		**17,457,199**	14,300,567
Total equity and liabilities		**38,838,517**	34,503,241

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Revenue	7	**21,103,878**	20,224,986
Cost of sales	7	**-13,399,311**	-11,828,463
Gross profit		**7,704,567**	8,396,523
Distribution costs and selling expenses		**-1,481,567**	-1,467,671
Administrative expenses		**-2,194,223**	-2,071,318
Research and development expenses		**-813,130**	-887,722
Other income	8	**181,754**	146,750
Other gains – net	9	**7,875**	1,009,830
Net impairment losses on financial assets		**-20,512**	-28,132
Operating profit		**3,384,764**	5,098,260
Finance income		**284,421**	236,034
Finance costs		**-432,680**	-376,230
Finance costs – net		**-148,259**	-140,196
Share of results of joint venture and associate		**-5,932**	3,744
Profit before income tax		**3,230,573**	4,961,808
Income tax expense	11	**-332,956**	-855,188
Profit for the year		**2,897,617**	4,106,620
Profit attributable to:			
Owners of the Company		**2,897,868**	4,119,935
Non-controlling interests		**-251**	-13,315
PROFIT FOR THE YEAR		**2,897,617**	4,106,620
Earnings per share for profit attributable to the ordinary equity holders of the Company during the year			
– Basic and diluted earnings per share *(expressed in RMB per share)*	12	**1.16**	1.64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the year	**2,897,617**	4,106,620
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**162,490**	162,934
Other comprehensive income for the year, net of tax	**162,490**	162,934
Total comprehensive income for the year	**3,060,107**	4,269,554
Total comprehensive income attributable to:		
Owners of the Company	**3,060,358**	4,282,869
Non-controlling interests	**-251**	-13,315
Total comprehensive income for the year	**3,060,107**	4,269,554

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 April 14, 1987 as a sino-foreign equity joint venture. On June 21, 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 Main Board of The Stock Exchange of Hong Kong Limited ("**H shares**"). As at December 31, 2019, 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 16.95% 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 Group are principally engaged in the manufacturing and sale of glass products and float glass for automotive purpose.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs and requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets or liabilities (including derivative instruments) at fair value through profit or loss, at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments that are relevant to the Group for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16 Leases.
- Prepayment Features with Negative Compensation – Amendments to IFRS 9.
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28.
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle.
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.
- Interpretation 23 Uncertainty over Income Tax Treatments.

The group also elected to adopt the following amendments early.

- Definition of Material–Amendments to IAS 1 and IAS 8.

The Group had to change its accounting policies as a result of adopting IFRS 16 Leases, which is disclosed in note 3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements.

On adoption of IFRS 16 Leases, the group recognised lease liabilities in relation to leases which had previously been classified as Operating Leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 1.92%.

(a) Practical expedients applied

In applying IFRS 16 Leases for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019.

- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- considering the parts which is reasonably certain to be executed in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) Measurement of lease liabilities

	2019
	RMB'000
Operating lease commitments disclosed as at December 31, 2018	395,186
(Less): Lease contracts executed from 2019	-162,407
	232,779
Discounted using the lessee's incremental borrowing rate of at the date of initial application	223,076
(Less): short-term leases not recognised as a liability	-12,023
Lease liability recognised as at January 1, 2019	**211,053**
Of which are:	
Current lease liabilities	1,886
Non-current lease liabilities	209,167
	211,053

(c) Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018.

(d) Adjustments recognised in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- Other receivables – decrease by RMB60,009,000
- Lease liabilities – increase by RMB209,167,000
- Right-of-use assets – increase by RMB291,206,000
- Current portion of non-current liabilities – increase by RMB1,886,000
- Long-term prepaid rental expenses - decrease by RMB 20,144,000

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16 Leases.

4. TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables due from third parties ***(Note (a))*****:**		
Notes receivables	**8,493**	710,400
Accounts receivables	**3,462,118**	3,596,387
Less: loss allowance	**-4,688**	-2,679
Trade receivables – net	**3,465,923**	4,304,108
Other receivables due from third parties ***(Note (b))*****:**		
Other receivables	**504,702**	452,784
Less: loss allowance	**-41,346**	-23,812
Other receivables – net	**463,356**	428,972
Amount due from related parties:		
Other receivables *(i)*	**182,681**	253,297
Others:		
Prepayments to suppliers	**222,502**	220,127
Prepaid income tax and value-added tax recoverable and refundable	**326,367**	332,962
	548,869	553,089
Trade and other receivables	**4,660,829**	5,539,466
Less: non-current portion of prepaid income tax and value-added tax recoverable and refundable	**–**	-843
Less: non-current portion of amount due from related parties *(i)*	**-180,000**	–
	-180,000	-843
Trade and other receivables – net	**4,480,829**	5,538,623

(i) As at December 31, 2019, the non-current portion of other receivables due from related party includes a loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd. The loan will be due in August 2021. The interest rate is at 5.225% per annum. The loan to associate is secured by 75% of share of the associate held by third parties and all assets, plants and equipments (including but not limited to buildings, land use rights, etc) owned by the associate are unconditionally pledged to the Group as security for the loan. As at December 31, 2019, the book value of the associate is RMB300,374,000.

As at December 31, 2019 and 2018, the carrying amounts of trade and other receivables are denominated in the following currencies:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB	**3,194,122**	3,888,107
USD	**1,123,519**	1,202,724
EUR	**315,612**	383,103
Others	**73,610**	92,023
	4,706,863	5,565,957

(a) Trade receivables

(i) 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 December 31, 2019 and 2018 was as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables – gross		
Within 3 months	**3,235,945**	4,037,994
3 to 6 months	**198,626**	240,638
6 to 12months	**34,003**	23,723
Over 1 year	**2,037**	4,432
	3,470,611	4,306,787

(ii) The Group discounts and endorses part of bank acceptance notes according to its daily fund management needs. Therefore, it is classified as financial asset at fair value through other comprehensive income.

(b) Details of other receivables are as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Deposits and guarantees	**16,614**	16,752
Payments on behalf of others	**25,729**	14,318
Consideration receivable from disposal of a subsidiary	**327,599**	321,400
Compensation receivable	**49,626**	23,812
Others	**85,134**	76,502
	504,702	452,784

(c) As at December 31, 2019 and 2018, the fair value of trade and other receivables of the Group, except for the prepayments to suppliers, prepaid current income tax and value-added tax recoverable and refundable, which are not financial assets, approximated to their carrying amounts.

(d) Impairment and risk exposure

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

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

5. TRADE AND OTHER PAYABLES

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Trade payables to third parties	**1,203,449**	1,272,386
Notes payable	**860,740**	1,164,569
Staff salaries and welfare payables	**473,972**	483,016
Payables for purchasing of property, plant and equipment	**462,128**	427,374
Payments for loss on claim	**274,093**	–
Accrued taxes other than income tax	**79,440**	117,853
Amount due to related parties	**59,042**	57,672
Interests payable	**–**	30,919
Other payables and accruals	**793,528**	720,549
	4,206,392	4,274,338

As at December 31, 2019 and 2018, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate to their carrying amounts due to short maturities.

(a) The Group's trade and other payables are denominated in the following currencies:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB	**3,183,342**	3,653,493
USD	**754,709**	494,109
EUR	**218,679**	71,838
RBL	**38,251**	44,515
Others	**11,411**	10,383
	4,206,392	4,274,338

(b) Ageing analysis of the notes payable and trade payables to third parties based on the invoice date at the respective balances sheet dates are as follows:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**1,667,991**	1,846,402
3 to 6 months	**339,815**	558,563
6 to 12 months	**21,047**	12,918
Over 1 year	**35,336**	19,072
	2,064,189	2,436,955

6. CONTRACT LIABILITIES

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

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities – Automotive glasses sales contracts	**695,400**	594,503

(a) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	For the year ended December 31, 2019 *RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the period- Automotive glasses sales contracts	207,027
Revenue recognised from performance obligations satisfied in previous periods	–

7. REVENUE AND COST OF SALES

(a) Revenue and cost of sales by product：

	Year ended December 31,			
	2019		2018	
	Revenue	**Revenue**	Revenue	Revenue
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Automobile glasses	**18,957,337**	**12,540,656**	19,351,889	12,543,980
Float glasses	**3,644,798**	**2,421,573**	3,220,524	1,942,757
Others	**1,903,485**	**1,838,824**	573,463	262,616
	24,505,620	**16,801,053**	23,145,876	14,749,353
Less: Intra-Group sales	**-3,401,742**	**-3,401,742**	-2,920,890	-2,920,890
	21,103,878	**13,399,311**	20,224,986	11,828,463

(b) Revenue by geographical areas

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within the PRC	**10,809,575**	11,825,655
In other countries	**10,294,303**	8,399,331
	21,103,878	20,224,986

(c) As at December 31, 2019, the Group had no other assets recognised in relation to costs to fulfil contracts.

(d) The Group derives revenue from the transfer of goods at a point in time.

8. OTHER INCOME

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Government grants		
– relating to income (a)	**128,903**	116,005
– relating to assets	**52,851**	30,745
	181,754	146,750

(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.

9. OTHER GAINS – NET

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Net foreign exchange gains	**135,764**	258,516
Gains on disposals of subsidiaries	**–**	664,033
Loss on disposals of intangible assets	**–**	-3,415
Gains on financial assets at fair value through profit or loss and derivative financial instruments	**107,520**	35,254
Loss on disposals of financial assets at fair value through other comprehensive income	**-10,432**	–
Changes in fair value of financial assets	**-44,435**	63,893
Loss on disposal of property, plant and equipment	**-9,277**	-59,883
Donation	**-732**	-1,563
Net (loss)/gain on claim (a)	**-177,337**	53,228
Others	**6,804**	-233
	7,875	1,009,830

(a) Fuyao Glass Illinois Inc., a subsidiary of the Group, was accused of violating the exclusive sales agreement. After final ruling by the International Court of Arbitration, it was required to pay claimants compensation and bear the expenses of the International Arbitration Court totaling approximately USD39,290,000, and terminate the exclusive sales agreement. Fuyao Glass Illinois Inc. paid the above amount in January 2020.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**3,682,377**	3,189,170
Pension, housing fund, medical insurance and other social insurance	**673,022**	577,997
Others	**108,550**	112,039
	4,463,949	3,879,206

(a) Pensions – defined contribution plans

Contributions totalling RMB6,314,000 (2018: RMB4,724,000) were payable to the fund at the year-end.

(b) Five highest paid individual

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**14,847**	12,867
Pension, housing fund, medical insurance and other social insurance	**486**	465
Others	**439**	691
	15,772	14,023

The emoluments fell within the following bands:

	Year ended December 31,	
	2019	2018
Emoluments bands		
HKD2,500,001 to HKD3,000,000	**1**	1
HKD3,000,001 to HKD3,500,000	**2**	3
HKD3,500,001 to HKD4,000,000	**1**	–
HKD4,000,001 to HKD4,500,000	**–**	1
HKD4,500,001 to HKD5,000,000	**–**	–
HKD5,000,001 to HKD5,500,000	**1**	–
	5	5

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.

11. INCOME TAX EXPENSE

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

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**597,669**	724,349
Deferred income tax	**-264,713**	130,839
Income tax expense	**332,956**	855,188

(a) PRC corporate income tax

The corporate income tax is calculated based on the statutory profit of subsidiaries incorporated in the PRC and the applicable tax rate in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

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

(b) Hong Kong profits tax

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

(c) United States of America profits tax

Profit tax has been provided for at the rates of 24% for certain subsidiary of the Group on the estimated assessable profit during the year. Applicable profit tax rates of the Group's other subsidiaries in the United States of America are between 25.40% and 27%, during the year ended December 31, 2019, no profit tax has been provided due to the unutilised tax losses (2018:Nil).

(d) Russia profits tax

Applicable profit tax rate of Russia is 20%. During the year ended December 31, 2019, no profit tax has been provided due to accumulated losses (2018:Nil).

(e) Germany profits tax

Applicable profit tax rate of Germany is 28.43% and 28.78%. During the year ended December 31, 2019, no profit tax has been provided due to accumulated losses (2018:Nil).

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

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**3,230,573**	4,961,808
Tax calculated at the applicable income tax rate	**910,131**	1,339,184
Tax effect of:		
Preferential income tax rate	**-427,495**	-461,043
Expenses not deductible for tax purpose	**1,405**	1,410
Income not subject to income tax	**1,344**	-1,013
Unrecognised tax losses carried forward	**123,480**	110,478
Utilisation of previously unrecognised tax losses	**-15,586**	-106,431
Recognition of previously unrecognised tax losses	**-214,180**	–
Utilisation of previously unrecognised deductible temporary differences	**-2,528**	–
Withholding taxation on unremitted earnings of certain subsidiaries	**13,215**	7,286
Others	**-56,830**	-34,683
Income tax expense	**332,956**	855,188

12. 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 December 31,	
	2019	2018
	RMB'000	*RMB'000*
Net profit attributable to the equity holders of the Company	**2,897,868**	4,119,935
Weighted average number of ordinary shares in issue *(thousand)*	**2,508,618**	2,508,618
Basic earnings per share *(RMB)*	**1.16**	1.64

(b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential shares existed during the year.

13. DIVIDENDS

The dividends paid in 2019 and 2018 were RMB1,881,463,000 (RMB1,881,463,000 of 2018 final) and RMB2,884,910,000 (RMB1,881,463,000 of 2017 final and RMB1,003,447,000 of 2018 interim), respectively.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Final dividend of RMB7.5 (2018: RMB7.5) per 10 ordinary shares (tax inclusive)	**1,881,463**	1,881,463
Interim dividend of RMB0 (2018: RMB4.0) per 10 ordinary shares (tax inclusive)	**–**	1,003,447
	1,881,463	2,884,910

14. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On January 13, 2020, the company publicly issued the first period of 2020 ultra short-term financing bonds (referred to as "**20 Fuyao Glass SCP001**") in the national inter-bank market and the ultra short-term financing bonds code is 012000140. The total issuance of "20 Fuyao Glass SCP001" is RMB300,000,000, the term is 180 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 3.03% (annual interest rate), the main underwriter is Bank of China Co., Ltd. (中國銀行股份有限公司), and the value date is January 15, 2020, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repay bank loans.

(b) On February 13, 2020, the company publicly issued the second phase of 2020 ultra short-term financing bonds (referred to as "**20 Fuyao Glass SCP002**") in the national inter-bank market and the ultra short-term financing bonds code is 012000369. The total issuance of "20 Fuyao Glass SCP002" is RMB600,000,000, the term is 270 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.84% (annual interest rate), the main underwriter is Industrial Bank Co., Ltd. (興業銀行股份有限公司), and the value date is February 14, 2020, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to supplement working capital.

(c) On February 13, 2020, the company publicly issued the first 2020 medium-term notes (outbreak prevention and control bonds) in the national inter-bank market (referred to as "**20 Fuyao (outbreak prevention and control bonds) MTN001**"), and the medium-term note code is 102000118. The total issuance of "20 Fuyao (outbreak prevention and control bonds) MTN001" is RMB600,000,000, the term is 3 years, each face value is 100 yuan, the coupon rate is 3.19% (annual interest rate).The main underwriter is Bank of China Co., Ltd. (中國銀行股份有限公司), and the raised funds have been received on February 17, 2020. The main purposes of the funds raised in the current period of medium-term notes are: (1) RMB500,000,000 to repay bank borrowings; (2) RMB40,000,000 to supplement working capital; (3) RMB60,000,000 to supplement the working capital requirements related to combating the COVID-19.

(d) On March 9, 2020, the company publicly issued the third phase of 2020 ultra short-term financing bonds (referred to as "**20 Fuyao Glass SCP003**") in the national inter-bank market and the ultra short-term financing bonds code is 012000760. The total issuance is RMB400,000,000, the term is 268 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.60% (annual interest rate), the main underwriter is Industrial Bank Co., Ltd. (興業銀行股份有限公司), and the value date is March 11, 2020, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to supplement working capital.

(e) On March 18, 2020, the company publicly issued the fourth phase of 2020 ultra short-term financing bonds (referred to as "**20 Fuyao Glass SCP004**") in the national inter-bank market and the ultra short-term financing bonds code is 012000939. The total issuance is RMB200,000,000, the term is 270 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.55% (annual interest rate), the main underwriter is The Export-import Bank Of China (中國進出口銀行), and the value date is March 20, 2020, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repayment of bank loans.

(f) Affected by the epidemic of novel coronavirus pneumonia and related prevention and control measures, some upstream and downstream companies of the Group have postponed resumption of work or suspended production. As a result, the Group's orders and the supply of certain materials have been affected, which will also affect the Group's operating income and gross margin. The Group has taken a number of measures to gradually restore production capacity by using the Group's advantages to allocate orders among internal subsidiaries, and actively coordinate production scheduling, supply, and logistics to reduce the impact. However, with the outbreak of the epidemic worldwide, the impact to the Group due to the outbreak is expected to be amplified in the future. The Group will adjust production and operation arrangements in a timely manner in accordance with the epidemic and market changes.

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry landscape and development trend

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production and sales volume in 2018 amounted to 27,809,200 units and 28,080,600 units, representing year-on-year decreases of 4.16% and 2.76%, respectively, marking negative growth for the first time since 1990. 2019 saw the second consecutive annual decline, and China's automobile production volume and sales volume amounted to 25,721,000 units and 25,769,000 units, respectively, representing year-on-year decreases of 7.5% and 8.2%, among which China's production volume and sales volume of passenger vehicle amounted to 21,360,000 units and 21,444,000 units, representing year-on-year decreases of 9.2% and 9.6%, respectively. But China still rank first in the world in terms of production volume and sales volume, at the end of 2019, China has ranked first in the world for eleven consecutive years in terms of production volume and sales volume. The compound growth rate of China's automobile production volume is 3.88% from 2010 to 2019.

With the gradual popularization of automobiles in urban households, China's automobile industry has basically passed the ten-year period of rapid growth from 2000 to 2010 and entered a critical period for transformation. Given the continued slowdown of macroeconomic growth, the ongoing transformation and upgrading of the automobile industry and the termination of the preferential tax policy on purchases of cars with engine displacement of 1.6L or less and the market adaption to the shift to National VI emission standard, China's automobile market will face more uncertainties in the short run, and the outbreak of novel coronavirus pneumonia will deepen the impact on the economy and industry.

In terms of the global automobile industrial structure, the proportion of developing countries in the automobile industry has been increasing, resulting in greater influence; in respect of automobile ownership, there is still a tremendous gap in automobile populization between China and developed countries. In 2019, the automobile ownership per 100 population reached over 80 units, approximately 50 to 60 units and approximately 17 units in the US, Europe, Japan, and China, respectively. Along with the development of China's economy, the ongoing urbanization, the growth of residents' income and spending power, and the improvement of road infrastructure, the potential automobile consumption demand in China is still huge. From the perspective of international horizontal comparison in terms of GDP per capita and automobile ownership, there is still growth potential in China's automobile market and great room for development in the industry that provides accessories for the automobile industry in the medium and long term.

The Chinese automobile industry has now entered a new stage of development characterized by diversified demands and an optimized structure. In general, automobile consumers increasingly focus on quality, personalization and diversification rather than functionality. 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 "safety and comfort, energy conservation and environmental friendliness, beautiful appearance, and intelligence and integration" with constantly increasing the added value. The industry-leading position of Fuyao in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

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

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

2. Review of operational results for the Reporting Period

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

In 2019, the global economic growth weakened and the investment scale declined, as trade tensions, financial instability and increased geopolitical uncertainty resulted in the slowdown of global economic growth; China's economy has been weathering increasing economic downward pressure, and particularly, the manufacturing industry was most directly affected by trade frictions, and the automobile consumption has obviously grown weak. Since China's automobile industry recorded its first decline over the past 28 years in 2018, the automobile market has shrunk for two consecutive years. According to the statistics released by the China Association of Automobile Manufacturers, automobile production volume in 2019 was 25,721,000 units, representing a year-on-year decrease of 7.5%, among which, the production volume of passenger vehicles was 21,360,000 units, representing a year-on-year decrease of 9.2%.

During the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB21,103,878,000, representing an increase of 4.35% as compared with the corresponding period last year; realized profit before tax of RMB3,230,573,000, representing a decrease of 34.89% as compared with the corresponding period last year; realized annual profit attributable to the equity holders of the Company of RMB2,897,868,000, representing a decrease of 29.66% as compared with the corresponding period last year; and realized earnings per share of RMB1.16, representing a decrease of 29.27% as compared with the corresponding period last year.

(1) The profit before tax of the Company for the Reporting Period decreased by 34.89% as compared with the corresponding period last year, mainly due to the following reasons:

   i. the Company recorded an investment gain of RMB664,033,000 for the corresponding period last year from the disposal of 75% equity interests in Beijing Futong;

   ii. the profit before tax of integrating period of Germany FYSAM auto decorative project amounted to €-37,710,000 for the Reporting Period, and thus the profit before tax of the Company for the Reporting Period decreased by RMB295,336,000 for the corresponding period last year;

   iii. the exchange gains of the Company for the Reporting Period were RMB135,764,000 as compared with an exchange gain of RMB258,516,000 for the corresponding period last year, and thus the profit before tax of the Company for the Reporting Period decreased byRMB122,752,000 for the corresponding period last year;

   iv. compensation paid by Fuyao Illinois Inc. due to being accused of breaching the exclusive distribution agreement and the expenses incurred in the International Court of Arbitration aggregated to USD39,290,000, and thus the profit before tax of the Company for the Reporting Period decreased by RMB271,874,000 as compared with the corresponding period last year and the exclusive distribution agreement was terminated at the same time;

   v. the U.S. imposed additional tariffs in part of goods imported from China and the additionally imposed tariffs borne by the Company aggregated to approximately USD11,030,000 after deducting the part borne by customers, and thus the profit before tax of the Company for the Reporting Period decreased by RMB76,349,000 as compared with the corresponding period last year.

To sum up, eliminating the above non-comparable factors, the profit before tax of the Company for the Reporting Period decreased by 7.45% as compared with the corresponding period last year.

(2) The gross profit margin of the operating for the reporting period was 36.51%, decreased by 5.01 percentage points for the corresponding period last year, mainly due to the following reasons:

i. the new business of automotive decoration of the Company for the Reporting Period was in the integrating period. The gross profit margin of operating was -22.77%, and thus the consolidated gross profit margin of operating of the Company decreased by 3.40 percentage points as compared with the corresponding period last year;

ii. in addition to the float glass supplied to the Company for the production of automotive glass, the gross profit margin of operating of the float glass sold by the Company was only 3.46%, and it was 29.69% for the corresponding period last year, and thus the consolidated gross profit margin of operating of the Company decreased by 0.67 percentage points as compared with the corresponding period last year;

iii. the gross profit margin of automotive glass of the Company was 33.85% for the Reporting Period, decreased by 1.33 percentage points as compared with the corresponding period last year, which was mainly due to the continuous negative increase in the domestic automotive industry, resulting in a decrease in the revenue from sales of the domestic automotive glass of the Company, an increase in the proportion of depreciation and amortization in revenue, and a decrease of 1.30 percentage points in the consolidated gross profit margin of the Company as compared with the corresponding period last year.

To sum up, eliminating the above factors, the gross profit margin of operating for the Reporting Period was the same with that of the corresponding period last year.

3. Development, performance or status of the business of the Company

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

	Year ended December 31		
Financial indicators	**2019**	2018	2017
Revenue growth(1)	**4.35%**	8.06%	12.60%
Net Profit Growth(2)	**-29.44%**	30.46%	0.18%
Gross profit margin(3)	**36.51%**	41.52%	41.66%
Net profit margin before interest and taxes(4)	**17.36%**	26.39%	20.63%
Net profit margin(5)	**13.73%**	20.30%	16.82%
Return on equity(6)	**13.55%**	20.39%	16.56%
Return on total assets(7)	**7.46%**	11.90%	9.92%
Gearing ratio(8)	**44.95%**	41.45%	40.04%
Turnover period of trade receivables (exclude notes receivables)(9)	**74**	81	89
Inventory turnover period(10)	**90**	96	97

Notes: (1)Revenue growth = (revenue for the period ÷ revenue for the previous period–1) ×100%; (2) Net profit growth = (net profit for the period ÷ net profit for the previous period–1)×100%; (3) Gross profit margin = (gross profit for the period ÷ revenue)×100%; (4) Net profit margin before interest and taxes = (sum of net profit before interest and income tax expenses for the period ÷ revenue)×100%; (5) Net profit margin = (net profit for the period ÷ revenue)×100%; (6) Return on equity = (annual profit attributable to the equity holders of the Company for the period ÷ equity attributable to the equity holders of the Company as at the end of the period)×100%; (7) Return on total assets = (net profit for the period ÷ total assets as at the end of the period)×100%; (8) Gearing ratio = (total liabilities ÷ total assets)×100%; (9) Turnover period of trade receivables = [(trade receivables at the beginning of the period + trade receivables at the end of the period) ÷ 2]÷revenue×365 days, trade receivables include trade and bills receivables (including bills receivable reclassified at fair value through OCI); (10) Inventory turnover period = [(balance of inventory at the beginning of the period + balance of inventory at the end of the period)÷2] ÷ sales costs×365 days

The Company uses representative financial indicators relating to its profitability, operation capacity and solvency to analyze its growth potential. Revenue for 2019 increased by 4.35% year on year and net profit decreased by 29.44%, mainly due to gains from disposal of equity interest, negative profit from the integrating period of Germany FYSAM auto decorative project, exchange gains or losses, the compensation paid by Fuyao Illinois Inc. due to being accused of breaching the exclusive distribution agreement , the imposed tariffs in Chinese imports by the U.S and the effect of the continuous negative growth in automobile industry. The Company's gearing ratio as at December 31, 2019 was 44.95%, showing its solvency remained strong. The turnover period of trade receivables and inventory turnover period of the Company were 74 days and 90 days, respectively, in 2019, indicating the lowest level in the recent 3 years and a high turnover efficiency. The Company will constantly strengthen the Company's operation management, elevate the core competitiveness of the Company, and is able to continuously create value for shareholders.

4. Analysis of revenue and costs

(1) Principal business by product or by region

Unit: '000 Currency: RMB

Principal business by product

Product	Revenue	Cost of sales	Gross profit margin *(%)*	Change in revenue as compared with last year *(%)*	Change in cost of sales as compared with last year *(%)*	Change in gross profit margin as compared with last year *(%)*
Automotive glass	18,957,337	12,540,656	33.85	-2.04	-0.03	Decreased by 1.33 percentage points
Float glass	3,644,798	2,421,573	33.56	13.17	24.65	Decreased by 6.12 percentage points
Others	1,903,485	1,838,824				
Less: Intragroup elimination	-3,401,742	-3,401,742				
Total	21,103,878	13,399,311	36.51	4.35	13.28	Decreased by 5.01 percentage points

Principal business by region

Region	Revenue	Cost of sales	Gross profit margin (%)	Change in revenue as compared with last year (%)	Change in Cost of sales as compared with last year (%)	Change in gross profit margin as compared with last year (%)
The PRC	10,809,575	6,331,426	41.43	-8.59	-4.81	Decreased by 2.32 percentage points
Other countries	10,294,303	7,067,885	31.34	22.56	36.53	Decreased by 7.03 percentage points
Total	21,103,878	13,399,311	36.51	4.35	13.28	Decreased by 5.01 percentage points

(2) Major customers and suppliers

Sales to the top five customers amounted to RMB3,575,569,600, accounting for 16.94% of the total sales for the year; of which related-party sales amounted to nil, accounting for 0% of the total sales for the year.

Purchases from the top five suppliers amounted to RMB1,068,463,200, accounting for 13.30% of the total purchases for the year; of which related-party purchases amounted to nil, accounting for 0% of the total purchases for the year.

5. Research and development costs

Unit: ’000 Currency: RMB

R&D costs expensed for the Reporting Period	813,130
R&D costs capitalized for the Reporting Period	0
Total R&D costs	813,130
Total R&D costs as a percentage of operating revenue *(%)*	3.85
Number of R&D staff of the Company	3,972
Number of R&D staff as a percentage of the total number of staff of the Company *(%)*	14.86
Capitalization percentage of R&D costs *(%)*	0

6. Details of charge on assets

As at December 31, 2019, Yung Tak Investment Limited, a subsidiary of the Group, pledged a parcel of land and buildings thereon with a carrying amount of RMB21,749,000 as security for a credit line of HKD30 million.

7. Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company’s other transformation and upgrading. During the Reporting Period, RMB2,780 million in cash was paid for purchase and construction of property, plant and equipment and other long-term assets. In particular, capital expenditures of Germany FYSAM auto decorative project and Suzhou automotive glass project amounted to approximately RMB634 million and RMB355 million, respectively.

8. Borrowings

During the Reporting Period, the newly-added bank borrowings amounted to approximately RMB15,219 million; ultra short-term financing bills amounted to RMB1,700 million; and repayment of bank borrowings amounted to approximately RMB11,837 million, ultra short-term financing bills amounted to RMB2,000 million and medium-term notes amounted to

RMB800 million. The Company did not utilize any financial instrument for hedging. As at December 31, 2019, interest-bearing debts are set out as follows:

Unit: 100 million   Currency: RMB

Type	**Amount**
Short-term borrowings with fixed interest rates	84.55
Short-term borrowings with floating interest rates	0.02
Long-term borrowings with floating interest rates due within one year	10.32
Long-term borrowings with floating interest rates	11.93
Corporate bonds	0
Ultra short-term financing bills	0
Total	106.82

Note: The figures in the above table exclude interest payable accrued.

9. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is carried out within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in U.S. dollar). 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. To this end, the Group may hedge foreign exchange risks by way of stepping up its globalization paces, reasonable matching of foreign currency assets and the scale of expansion with peripheral business expansion, optimizing the currency of business settlement, matching the same currency between income and expenditure, adopting appropriate exchange rate instruments and financial derivatives such as locking exchange rate, forward foreign exchange contract and currency swap contract. During the Reporting Period, foreign exchange gain of the Group amounted to RMB136 million as compared with foreign exchange loss of RMB259 million for the corresponding period last year.

10. Capital efficiency

Inventory turnover period during the Reporting Period was 90 days, representing a decrease of 6 days as compared with the 96 days of the corresponding period last year: among which, the inventory turnover period of automotive glass was 65 days, and 68 days for the corresponding period last year whereas the inventory turnover period of float glass was 144 days, and 162 days for the corresponding period last year.

The turnover period of the trade receivables during the Reporting Period was 74 days, representing a decrease of 7 days as compared with 81 days of the corresponding period last year.

The return on equity during the reporting period was 13.55%, compared with 20.39% for the corresponding period last year.

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

Unit: '000 Currency: RMB

	December 31, 2019	December 31, 2018
Total borrowings	**10,718,806**	8,400,201
Total lease liabilities	**657,265**	–
Total long-term payables	**76,095**	–
Less: Cash and cash equivalents	**-8,352,669**	-6,357,656
Net debts	**3,099,497**	2,042,545
Total equity	**21,381,318**	20,202,674
Total capital	**24,480,815**	22,245,219
Net liability to equity ratios *(%)*	**12.66%**	9.18%

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

11. Contingent liabilities

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

12. **Material equity investments**

Fujian Fuyao Automotive Trim System Co., Ltd. (福建福耀汽車飾件有限公司), a wholly-owned subsidiary of the Company, and Fujian Triplex Investment Co., Ltd. entered into the Agreement on Transfer of Equity Interests in Jiangsu Fuyao Automotive Trim System Co., Ltd. on March 15, 2019, pursuant to which Fujian Fuyao Automotive Trim System Co., Ltd. acquired 100% equity interests in Jiangsu Fuyao Automotive Trim System Co., Ltd. (江蘇三鋒汽車飾件有限公司) (now renamed as "**Jiangsu Fuyao Automotive Decoration Co., Ltd.**" (江蘇福耀汽車飾件有限公司), same below) held by Fujian Triplex Investment Co., Ltd. (福建三鋒投資有限公司) at a price of RMB66 million. Jiangsu Fuyao Automotive Trim System Co., Ltd. is mainly engaged in the manufacturing of automotive decorations and parts, molds and fixtures and sale of its self-manufactured products. Please refer to the announcement dated March 16, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

13. **Material disposal of assets and equities**

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

However, Taiyuan Jinnuo made a request to the Company for changing the payment date of the transfer payment for the remaining 24% equity interest in Beijing Futong due to its financial strain. As considered and approved at the eighth meeting of the ninth session of the Board of Directors of the Company on December 24, 2018, the Board of Directors of the Company agreed that Taiyuan Jinnuo shall pay the transfer payment for the remaining 24% equity interest in Beijing Futong before June 30, 2019. The Company and Taiyuan Jinnuo entered into the Supplementary Agreement to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. in Fuqing City, Fujian Province on the same day.

In the first half of 2019, Taiyuan Jinnuo made an application again to the Company for changing the payment date of the transfer payment for the remaining 24% equity interest in Beijing Futong due to its financial strain. As considered and approved at the eleventh meeting of the ninth session of the Board of Directors of the Company on August 28, 2019, the Board of Directors of the Company agreed that Taiyuan Jinnuo shall pay the transfer payment for the remaining 24% equity interest in Beijing Futong before June 30, 2020. Meanwhile, it is agreed that Taiyuan Jinnuo shall pay interest at 8% per annum of the remaining 24% equity interest in Beijing Futong.

The Company has recognized investment revenue of RMB664,032,500 from the transfer of the equity interests in Beijing Futong and recorded an increase of RMB682,452,200 in cash flow in 2018. During the Reporting Period, the Company confirmed the interest income of RMB12,397,800.

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

14. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

14.1 Employees

Number of in-service employees of the Company	1,461
Number of in-service employees of the major subsidiaries	25,266
Total number of in-service employees	26,727
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	0

Composition of professions

Type of profession	Number of staff
Production staff	19,469
Sales staff	876
Technical staff	3,508
Finance staff	282
Administrative staff	924
Other staff	1,668
Total	26,727

Education level

Type of education level	Number of persons
University or above	4,096
Junior college	4,766
Specialized secondary school and high school	12,695
Below high school	5,170
Total	26,727

14.2 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 Company participated in the programme of the "five social insurances and one housing fund" as stipulated, paying social insurance contributions and housing provident fund as scheduled.

14.3 Training plan

According to the Group's strategic plan and annual operating policy and plan, the Company made training plans. The Group provides orientation training and on-the-job education for the growth of the employees, of which the orientation training covers subjects such as corporate culture and policies, work ethic and quality, major products and business, production process, quality control and occupational safety. The on-the-job education covers environment, health and safety management systems and mandatory training required by the applicable laws and regulations as well as special training for personnel at various levels and all professions. Meanwhile, in order to meet the needs of its strategic plan, the Group held various training projects for junior, middle and senior management, key technical staff and business backbones of all functions and high potential talents, including courses for cadres, courses for machinery engineering, lean leading expert training projects and, meanwhile, developed micro class, micro class competition and other forms to further optimize training system. Through providing training and developing talents, the Company secured talents for enterprises transformation and upgrading and strategy implementation, promoted the high quality development of the enterprises and improved operation efficiency of the enterprises.

15. Business plan

In 2020, the economic situation remains gloomy at home and abroad, risks and uncertainties still exist, and the automobile sector is still likely to be confronted with the risk of negative growth. The outbreak of novel coronavirus pneumonia will deepen the impact on the economy and industry. Despite facing greater challenges ahead, Fuyao will stay true to their commitment and make unremitting efforts, with greater courage, liability and responsibility to fight the tough battle in 2020, and strive to maintain steady growth in each principal operating indicators in 2020.

Major tasks of the Company to be carried out in 2020:

(1) To give the leading role to sales, enhance market sensitivity, constantly broaden the width of market development, level up the precision of market development and strengthen the depth of market development.

(2) To deepen management reform, exploit the organization efficiency, make full use of information technology, improve management efficiency and per capita productivity, and further reduce cost and increase efficiency.

(3) To improve quality and efficiency with technological advantages and the entire industry chain, improve the competitiveness of automotive glass assemblies, and continue to promote the aluminum trim business.

(4) To adhere to the market and product oriented research and development mechanism, and successfully complete the team construction of Suzhou Research Institute and Fuqing Research Institute; to strengthen the effective operation of the technical committee to ensure that the market technology center and the research institute form a joint force to achieve the transformation from follower to technology leader.

(5) To integrate the resources and talents of the Group's business part to enhance customer service and solution design abilities; major projects will be solved by particular person and particular project, and used as breakthrough points to obtain opportunities in standard formulation and patents.

(6) To streamline organizational management and working atmosphere, improve the enterprise management system, standardize conference management, implement conference discussions, and scientific decision-making process to improve the organization's decision-making competency, action force, synergy and discipline.

(7) To continue to promote lean management, adhere to the five-star team to achieve the field foundation, so as to continue to modify the project to achieve the improvement of quality and efficiency. The entire Group will conduct benchmark management, forming a "compete, learn, follow, help, surpass" internal competition pattern.

(8) To carry forward existing results and good practices, increase new product development and promotion, and maintain the healthy development of Fuyao.

(9) To strengthen the nourishment and training of talents, improve their overall quality, establish a high-quality, professional management team to accommodate the requirements of Fuyao's global operations.

III. OTHER INFORMATION

1. 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.

2. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

3. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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

4. Review of accounts

The financial information disclosed in this annual results announcement is based on the Group's consolidated management accounts for the year ended December 31, 2019, which has been reviewed and confirmed by the Board of Directors and its audit committee. However, due to the outbreak of novel coronavirus pneumonia in China, which has hindered the operation of enterprises in China and in particular, has resulted in significant difficulties for auditors to obtain audit evidence of Fuyao Glass (Hubei) Co., Ltd., a wholly-owned subsidiary of the Company, which leads to the delay in the annual audit work performed by the Company and its auditors, the relevant financial information in this announcement has not undergone the annual audit and may differ from the audited results of the Group.

5. Publication of audited annual results and annual reports

The Company expects that the annual audit will be completed in April 2020, and plans to convene a Board meeting in April 2020 to consider the audited annual results for 2019 and the recommendation of distribution of dividends for 2019 (if any). The Company will make further announcement(s) on the company website (http://www.fuyaogroup.com) and the Hong Kong Exchanges and Clearing Limited website (www.hkexnews.hk) as and when appropriate.

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

Fuzhou, Fujian,the PRC, March 28, 2020

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