



彩虹集團新能源股份有限公司
IRICO GROUP NEW ENERGY COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0438)

IRICO

2019
INTERIM REPORT



* For identification purpose only

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I. RESULTS HIGHLIGHTS

Item	For the six months ended 30 June (RMB0'000)			
	2019	2018	Increase or decrease	Percentage change (%)
Operating revenue	108,715	116,728	-8,013	-6.87%
Including: Principal operating revenue	104,646	114,809	-10,163	-8.85%
Other operating revenue	4,069	1,919	2,149	111.97%
Gross profit from main business	9,342	18,528	-9,186	-49.58%
Operating profit (loss is represented by "-")	-7,279	5,286	-12,565	-237.72%
Total profit (loss is represented by "-")	3,051	22,628	-19,576	-86.51%
Net profit (net loss is represented by "-")	3,161	22,117	-18,955	-85.71%
Including: Net profit attributable to the shareholders of the Company	4,514	20,203	-15,689	-77.66%
Minority interests	-1,352	1,914	-3,266	-170.65%
Total comprehensive income (loss is represented by "-")	6,275	20,952	-14,677	-70.05%
Including: Total comprehensive income attributable to the shareholders of the Company	7,627	19,038	-11,411	-59.94%
Total comprehensive income attributable to minority interests	-1,352	1,914	-3,266	-170.65%

(RMB0'000)

Item	Closing Balance	Balance at the end of last year	Increase or decrease	Percentage change (%)
Total assets	493,813	487,078	6,736	1.38%
Total liabilities	466,160	465,699	461	0.10%
Total owners' equity	27,653	21,378	6,275	29.35%
Including: Equity attributable to owners of the Company	16,951	9,324	7,627	81.79%
Minority interests	10,702	12,054	-1,352	-11.22%
Gearing ratio	94.40%	95.61%	-1.21%	

For the six months ended 30 June (RMB0'000)

Item	2019	2018	Increase or decrease	Percentage change (%)
Net cash flows from operating activities	19,825	3,232	16,593	513.40%
Net cash flows from investing activities	-5,841	-19,173	13,332	-69.54%
Net cash flows from financing activities	-20,595	1,829	-22,424	-1,226.03%
Effect of changes in exchange rate on cash and cash equivalents		52	-52	-100.00%
Net increase in cash and cash equivalents	-6,611	-14,061	7,450	-52.98%

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Industry Analysis

1. *Solar photovoltaic power stations*

In the first half of 2019, the industrial size of the global photovoltaic market grew steadily and the overseas market had brilliant performance with the global newly installed photovoltaic capacity of approximately 47GW. As affected by the pending photovoltaic policy, the newly installed photovoltaic capacity in the domestic photovoltaic market was close to 12GW. However, it is expected that the domestic photovoltaic market will grow significantly in the second half of the year, and the newly installed photovoltaic capacity throughout the year will reach approximately 45GW. According to the review and outlook report of China Photovoltaic Industry Association, in 2019, the global newly installed photovoltaic capacity will reach 115GW, representing a year-on-year increase of 11.2% and hitting a new high.

2. *Solar photovoltaic glass*

In the first half of 2019, driven by the strong performance of export, the whole industry of solar photovoltaic obviously recovered from suffering caused by the “531 new policy”*. The price of photovoltaic glass rebounded, but still did not reach the level in the first quarter of 2018. In the second half of the year, with the increase in domestic installed capacity and the steady growth of the global photovoltaic market, the market demand for photovoltaic glass will continue to grow. It is expected that, in the second half of the year, the price of photovoltaic glass will continue to rise and the photovoltaic industry will see increases in terms of sales volume and price. With the expansion of the production capacity of several major photovoltaic glass manufacturers, the industrial concentration of domestic photovoltaic glass plants will further increase and the economies of scale will be further enlarged.

*Note: “531 new policy” refers to the “Notice on Matters Concerning Photovoltaic Power Generation in 2018” dated 31 May 2018 issued by National Development and Reform Commission, Ministry of Finance and National Energy Administration.

3. *New materials*

In respect of cathode materials for lithium batteries, driven by the rapid development of lithium batteries and its downstream industries, cathode materials for lithium batteries maintained high growth, and the high-nickel ternary materials will become dominant in the future. It is expected that the demand for ternary materials will reach 240,000 tonnes in 2020 and the share of ternary materials in the cathode materials market will rapidly increase to 59%.

In respect of photoresists, according to the information from China Industrial Information Network, the development scale of China's photoresist market has been increasing in recent years. It is expected that the demand for photoresist in China will reach 272,000 tonnes in 2022, of which the demand for LCD photoresist will reach 45,000 tonnes.

In respect of electronic silver paste, benefiting from the expectation of the demand from downstream markets including automotive electronics, industrial automation control, 5G and Internet of things, the long-term demand for electronic silver paste is stable. In 2019, the global demand for conductive silver paste for electronic components is over 700 tonnes.

(II) Business Review

1. *Operation summary*

During the reporting period, the Group capitalized on the recovery of the photovoltaic market to increase its marketing efforts targeting strategic customers and major customers. The solar photovoltaic business continued to maintain strong production and sales performance, with the sales-to-production ratio reaching 100%, further enhancing the Group's share in the photovoltaic glass market and its position in the industry. In addition, the Group realised technological upgrading and stable bulk supply by accelerating the industrialization of new material business and the capability of large-scale application.

2. **Business progress**

(1) *Solar photovoltaic business*

- Solar photovoltaic glass

During the reporting period, the Group, by simply sticking to its original aspiration, focused on its principal business and devoted great efforts to promoting its solar photovoltaic glass business. Thanks to such endeavors, new production lines made headway smoothly and sales of solar photovoltaic glass business increased by 42% year-on-year.

As the worldwide largest oxygen-fuel combustion photovoltaic glass production base, the production lines in Hefei base achieved a relatively high yield in the industry by cementing its foundation in all fronts and to improve quality and efficiency. Breakthrough progress was made owing to the “5321” cost reduction project.

The production lines in Yan’an base were put into full operation and received batch orders after being accredited by customers, which signified that the Group embraced a more reasonable areal landscape of the photovoltaic glass business, significantly increased scale and cost strengths and further highlighted industrial position as one of the top three players in the world.

During the reporting period, the Group’s “R&D project on energy conservation and emission reduction technology for oxygen-fuel combustion furnace and main production line”, a 2016 green manufacturing system integration project of the Ministry of Industry and Information Technology of the People’s Republic of China, passed the acceptance. Consumption and nitrogen oxide emissions involved therein were far lower than the national standards, which signified significant economic profits and social benefits and exerted guiding and exemplary effects in the industry.

The photovoltaic glass bases of the Group continued to transform and upgrade their production lines to produce thin glass, and achieved mass production and sales of new products such as thin photovoltaic glass for solar double-glazed modules, which will become a new profit growth driver of the Group thanks to such technical progress and development of new products.

- Solar photovoltaic modules

During the reporting period, Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) (“**Jiangsu Yongneng**”) conducted technical upgrading and renovation on all existing production lines of modules, which upgraded the existing regular production lines into those being compatible with the production of modules with PERC technology. Meanwhile, the Group seized marketing opportunities and increased investment in market, further sharpening the Group’s competitive edges in photovoltaic market.

- Solar photovoltaic power station

During the reporting period, the Group’s solar photovoltaic power stations in Nanjing, Hefei, Wuhan and Suzhou were in stable operation. Besides, the Group conducted project research and negotiated with potential partners in a number of places, aiming to push forward the construction of distributed solar power stations in a steady way.

In active response to the new development trends of digitalization and intelligentization of solar photovoltaic power stations, the Group made great efforts to develop a big-data based intelligent operation model.

In addition, the Group also capitalised on its photovoltaic glass furnace equipment and technical innovation to energetically promote cogeneration for effective reduction of energy consumption.

- Quartz sand business

During the reporting period, the construction of the Group's Hanzhong Jiarunze quartz sand mine project progressed smoothly, and significant achievements were made in respect of engineering treatment and ecological restoration. In addition, environmental protection work at the diggings was also carried forward constructively and drew the compliments of the competent governmental authorities.

(2) *New materials business*

During the reporting period, the Group introduced advanced manufacturing technology of photoresist from Merck KGaA in Germany, production lines of the project operated smoothly and stable bulk supply was realised. In respect of cathode materials for lithium batteries, the Group further advanced the strategy of focusing on quality customers, and achieved significant increase in product sales. In addition, the Group maintained stable business operations in respect of electronic silver paste and luminescent materials.

The Group established a science and technology committee, and set up a cooperation platform on scientific research jointly with Northwest University. Joint applications have been made for four patents with shared intellectual property rights in respect of joint research projects in field of new energy.

In the future, with the rapid development of the Group's photovoltaic glass business, the Group, as the leading enterprise in the photovoltaic glass industry, will continue to build an industrial ecosphere around its development objectives and strive to become an internationally renowned green energy service provider and a worldwide top-notch new material supplier.

(III) Financial Review

1. *Overall performance*

During the reporting period, the Group recorded operating revenue of RMB1,087.15 million, representing a year-on-year decrease of RMB80.13 million or 6.87%; total profit of RMB30.51 million, representing a year-on-year decrease of RMB195.76 million or 86.51%.

2. Business results

(1) Unaudited profit and loss

Item	For the six months ended 30 June (RMB'000)			
	2019	2018	Increase or decrease	Percentage change (%)
Operating revenue	108,715	116,728	-8,013	-6.87%
Including: Principal operating revenue	104,646	114,809	-10,163	-8.85%
Other operating revenue	4,069	1,919	2,149	111.97%
Operating costs	98,742	96,855	1,886	1.95%
Including: Principal operating costs	95,304	96,281	-977	-1.01%
Other operating costs	3,438	575	2,863	498.30%
Operating gross profit	9,973	19,873	-9,900	-49.82%
Taxes and surcharges	543	777	-234	-30.16%
Selling expenses	3,311	3,718	-407	-10.95%
Administrative expenses	5,858	5,002	856	17.11%
Research and development expenses	2,302	1,833	469	25.60%
Finance costs	5,239	3,257	1,982	60.84%
Operating profit	-7,279	5,286	-12,565	-237.72%
Impairment losses on assets				
Credit impairment losses	-138	-70	-68	97.68%
Other income	10,573	3,093	7,480	241.81%
Investment income	-99	14,296	-14,395	-100.69%
Gains from changes in fair value	4	22	-18	-81.68%

For the six months ended 30 June (RMB'000)

Item	2019	2018	Increase or decrease	Percentage change (%)
Gains from disposal of assets				
Non-operating income	3	10	-7	-70.41%
Non-operating expenses	12	9	4	41.98%
Total profit	3,051	22,628	-19,576	-86.51%
Income tax	-110	511	-621	-121.54%
Net profit	3,161	22,117	-18,955	-85.71%
Including: Net profit attributable to the shareholders of the Company	4,514	20,203	-15,689	-77.66%
Minority interests	-1,352	1,914	-3,266	-170.65%

(2) Turnover

Turnover by product

For the six months ended 30 June (RMB'000)

Item	2019	2018	Increase or decrease	Percentage change (%)
Operating revenue	108,715	116,728	-8,013	-6.87%
Including: Solar photovoltaic business	84,417	89,445	-5,028	-5.62%
New materials business	20,152	17,671	2,481	14.04%
Trading business		7,414	-7,414	-100.00%
Others	4,145	2,198	1,947	88.57%

3. Change over the corresponding period of last year and reasons

(1) Operating revenue from principal business and profit

During the reporting period, the Group recorded operating revenue from its principal business of RMB1,046.46 million, representing a year-on-year decrease of RMB101.63 million or 8.85%, which mainly comprised revenue from solar photovoltaic business of RMB844.17 million, representing a year-on-year decrease of RMB50.27 million; revenue from new materials business of RMB201.52 million, representing a year-on-year increase of RMB24.82 million; and revenue from trading and other businesses of RMB0.77 million, representing a year-on-year decrease of RMB76.18 million.

During the reporting period, the Group recorded total profit of RMB30.51 million, representing a year-on-year decrease of RMB195.76 million or 86.51%; and net profit of RMB31.61 million, representing a year-on-year decrease of RMB189.55 million or 85.71%. The decrease was mainly due to losses of approximately RMB96 million from the decrease in the price of photovoltaic glass and compensation of RMB95.11 million for the shutdown of Xianyang photovoltaic project, while investment gains of RMB144.15 million from the transfer of 51% equity interests in Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司) were received by the Group in the same period last year.

(2) *Administrative expenses*

The Group's administrative expenses for the first half of 2019 was RMB58.58 million (the first half of 2018: RMB50.02 million), representing a year-on-year increase of RMB8.56 million or 17.11%, which was mainly attributable to: an increase of RMB7.85 million in losses from shutdown of Xianyang photovoltaic project; an increase of RMB3.64 million in depreciation expenses; and a decrease of RMB4.82 million in employee benefits.

(3) *Finance costs*

The Group's finance costs included in profit and loss for the first half of 2019 was RMB52.39 million (the first half of 2018: RMB32.57 million), representing an increase of RMB19.82 million or 60.84% as compared with the corresponding period of last year. The increase in finance costs was mainly attributable to: an increase of RMB12.26 million in financial expenses due to transfer of Hefei photovoltaic glass project (phase II) into fixed assets and additional borrowings under finance leases; and an increase of RMB6.52 million in exchange losses for Jiangsu Yongneng.

4. *Current assets and financial resources*

For the six months ended 30 June 2019, the Group's net cash inflow from operating activities amounted to RMB198.25 million (the first half of 2018: RMB32.32 million); the net cash outflow from financing activities amounted to RMB205.95 million (the first half of 2018: RMB18.29 million), and the net cash outflow from investing activities were RMB58.41 million (the first half of 2018: RMB191.73 million). The Group's capital expenditures amounted to RMB59.39 million in total (the first half of 2018: RMB177.94 million).

For the six months ended 30 June 2019, the turnover days for accounts receivables of the Group was 124 days, representing an increase of 16 days as compared with the corresponding period of last year, which was mainly attributable to the impact from transfer of Hefei photovoltaic glass project (phase II) into fixed assets.

For the six months ended 30 June 2019, the inventory turnover days of the Group was 33 days, representing an increase of 3 days as compared with the corresponding period of last year, which was mainly attributable to the impact from transfer of Hefei photovoltaic glass project (phase II) into fixed assets.



5. Capital structure

As at 30 June 2019, the Group will continue to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure.

As at 30 June 2019, the total assets of the Group amounted to RMB4,938.13 million (31 December 2018: RMB4,870.78 million), including cash and bank balances of RMB254.12 million (31 December 2018: RMB260.55 million).

As at 30 June 2019, the total liabilities of the Group were RMB4,661.60 million (31 December 2018: RMB4,656.99 million), including bank and other borrowings of RMB2,689.69 million (31 December 2018: RMB2,832.18 million).

As at 30 June 2019, the total owners' equity of the Group was RMB276.53 million (31 December 2018: RMB213.78 million).

As at 30 June 2019, the gearing ratio of the Group was 94.4% (31 December 2018: 95.61%).

6. *Interim dividend*

As there was no accumulated surplus in the first half of 2019, the Board resolved not to distribute any interim dividend for the six months ended 30 June 2019.

7. *Foreign exchange risk*

The Group's income and most of its expenses were denominated in Renminbi and US dollar. For the six months ended 30 June 2019, the operating costs of the Group decreased by RMB1.19 million (30 June 2018: decreased by RMB6.12 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

8. *Commitments*

As at 30 June 2019, the capital expenditure commitments of the Group amounted to RMB276.95 million (31 December 2018: RMB471.60 million).

9. Contingent liabilities

As at 30 June 2019, the Group had no material contingent liability.

10. Pledged assets

As at 30 June 2019, the bank and other borrowings of the Group amounted to approximately RMB752.49 million, which were secured by certain properties, plants, equipment, land use rights, investments in other equity instruments and bills receivable of the Group with an aggregate amount of approximately RMB606.30 million. As at 31 December 2018, the bank and other borrowings of the Group amounted to approximately RMB911.02 million, which were secured by certain properties, plants, equipment, land use rights, investments in other equity instruments and bills receivable of the Group with an aggregate amount of approximately RMB912.69 million.

III. OTHER INFORMATION

(I) Interests and Short Positions of Directors, Supervisors and Chief Executives

As of 30 June 2019, none of the directors (the “**Directors**”), supervisors (the “**Supervisors**”) or chief executives of the Company and their respective associates held an interest and short position in shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such directors, supervisors, chief executives or senior management personnel were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register of interests kept by the Company pursuant to section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

During the reporting period, no Directors, chief executives, Supervisors, senior management or their spouses and minor children under 18 was vested by the Company any right to subscribe shares or bonds of the Company or any associated corporation (as defined in the SFO).

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor or chief executive of the Company had an interest or short position in the Company's shares or underlying shares (as the case may be) as of 30 June 2019 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

China Electronics Corporation ("**CEC**"), through IRICO Group Company Limited* ("**IRICO Group**") and its subsidiary, Rui Bou Electronics (HK) Limited, had interests in 1,601,468,000 domestic shares (representing 100% of the domestic share capital) and 31,546,000 H shares of the Company, whereas HKSCC Nominees Limited had interests in 628,915,146 H shares of the Company (representing 99.69% of the H share capital).

Mr. Si Yuncong and Mr. Fan Laiying act as Directors of the Company. Mr. Si Yuncong concurrently acts as the chairman, the secretary of the Communist Party Committee and the legal representative of IRICO Group. Mr. Fan Laiying concurrently acts as the chief accountant of IRICO Group. Mr. Ding Wenhui acts as the Supervisor and the chairman of the supervisory committee of the Company and concurrently acts as the deputy secretary of the Communist Party Committee, the deputy secretary of Discipline Inspection Committee, the chairman of Trade Union and the general counsel of IRICO Group.

Notes:

As of 30 June 2019, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 628,915,146 H shares, among which:

Baystar Capital II, L.P. had beneficial interests in 49,554,000 H shares of the Company (representing approximately 7.85% of the issued H shares of the Company). Each of Baystar Capital Management LLC, Mr. Derby Steven P., Mr. Goldfarb Lawrence and Mr. Lamar Steven M. was deemed to be interested in the same number of H shares of the Company by virtue of their direct or indirect control of Baystar Capital II, L.P.

J.P. Morgan Fleming Asset Management Holdings Inc. held 33,742,000 H shares of the Company (representing 5.35% of the issued H shares of the Company) in the capacity of investment manager and through its controlled corporations, of which 33,198,000 H shares of the Company were held by JF Asset Management Limited and the remaining 544,000 H shares of the Company were held by JF International Management Inc.

Pictet Asset Management Limited held direct interests in 27,488,000 H shares of the Company (representing approximately 4.36% of the share capital of H shares) on behalf of Pictet Funds Asian Equities (holding interests in 28,504,000 shares).

(III) Audit Committee

The Company established an audit committee under the Board (the “**Audit Committee**”). The Board adopted all contents set out in code provision C.3.3 of the Corporate Governance Code (the “**CG Code**”) as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to auditing, risk management and internal controls as well as financial reporting, including the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2019.

The interim financial report has been reviewed by the Company's auditor, in accordance with the requirements of China Certified Public Accountants Review Standard No. 2101 – Review of Financial Statements.

(IV) Independent Non-Executive Directors

The Group has complied with the requirements concerning the appointment of sufficient independent non-executive Directors and that at least one of them possesses appropriate professional qualification or appropriate accounting or relevant financial management expertise as well as that the independent non-executive Directors shall represent at least one third of the number of the Board members as set out in Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has appointed three independent non-executive Directors (more than one third of the number of the Board members), one of whom possesses financial management expertise.

(V) Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the CG Code contained in Appendix 14 of the Listing Rules. During the six months ended 30 June 2019, the Company has complied with the Code Provisions of the CG Code.

(VI) Model Code for Securities Transactions by Directors and Supervisors of Listed Issuers

For the six months ended 30 June 2019, the Company has adopted a set of model code for securities transactions by Directors and Supervisors of the Company which is no less strict than the required standard set out in the Model Code. Having made specific enquiry in the reporting period, the Company has confirmed that all Directors and Supervisors have complied with the requirements set out in the Model Code.

(VII) Purchase, Redemption or Sale of Shares of the Company

Neither has the Company nor any of its subsidiaries purchased, redeemed or sold any shares of the Company during this reporting period.

(VIII) Employees

As at 30 June 2019, the Group had a total of 2,121 in-service employees, of whom, approximately 11.1% were management and administrative personnel, 10.3% were technical personnel, 1.7% were financial and audit personnel, 1.7% were sales and marketing personnel and 75.2% were production workers.

The employment and remuneration policies of the Group remain the same as those set out in the Company's prospectus dated 8 December 2004. The Group's dedicated and enthusiastic employees are committed to ensure the high quality and reliability of products and services.

* *Excluding service dispatch workers*

(IX) Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors believe that the percentage of shares held by the public at any time during the reporting period was in compliance with the prescribed level of the minimum public float as set out in Rule 8.08 of the Listing Rules.

(X) Material Acquisition and Disposal

During the reporting period, the Company had no material acquisition or disposal of subsidiaries or associates.

(XI) Other Matters**1. *Changes in information of directors, supervisors and chief executives***

On 13 February 2019, Mr. Zou Changfu retired from his office as an executive director and ceased to be the general manager and legal representative of the Company; Mr. Chen Xiaoning was re-designated from a non-executive director of the Company to an executive director of the Company, and was appointed as the general manager and legal representative of the Company and ceased to be an executive deputy general manager of the Company. On 1 April 2019, Mr. Tang Haobo ceased to be the employee representative supervisor of the Company due to work re-allocation, Mr. Wu Mingli was elected as an employee representative supervisor of the Company at the meeting of the group leaders for employees' delegation of the Company. On 28 May 2019, Mr. Ni Huadong was appointed as a non-executive director of the Company at the 2018 annual general meeting of the Company. For details, please refer to the announcements of the Company dated 13 February 2019, 1 April 2019 and 28 May 2019, respectively.

2. ***Change of auditor***

As the term of WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) for provision of auditing services within the central enterprise systems which the Company pertains to has reached the time limit prescribed by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council, it resigned as the auditor of the Company after the closing of the 2018 annual general meeting of the Company. As considered and approved by the shareholders of the Company at the 2018 annual general meeting of the Company held on 28 May 2019, BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) was appointed as the auditor of the Company for year 2019. For details, please refer to the announcements of the Company dated 15 May 2019 and 28 May 2019, respectively.

3. ***Proposed issue of new H shares under specific mandate; connected transaction relating to proposed subscription of new H shares by a connected person; and proposed subscription of new H shares by independent third parties***

On 24 July 2017, the Board approved the proposed H share issue under a specific mandate, pursuant to which the Company shall issue not more than 2 billion new H shares to not more than 10 target subscribers (including Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) (“**Zhongdian IRICO**”) and Yan'an Dingyuan Investment Co., Ltd.* (延安市鼎源投資有限責任公司) (“**Yan'an Dingyuan**”)) and therefore the aggregate nominal value of the H shares to be issued shall not exceed RMB2 billion. The gross proceeds to be raised from the proposed H share issue shall not exceed RMB2 billion. As part of the proposed H share issue, the Company entered into the subscription agreements with each of Zhongdian IRICO and Yan'an Dingyuan on 24 July 2017. Pursuant to these subscription agreements, each of Zhongdian IRICO and Yan'an Dingyuan conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 900 million and 300 million new H shares at a consideration of RMB900 million and RMB300 million, respectively. On 16 October 2017, the Company entered into the subscription agreement with Zhangjiagang

Yuefeng Jinchuang Investment Co., Ltd.* (張家港市悅豐金創投資有限公司) (“**Zhangjiagang Investment**”). Pursuant to such agreement, Zhangjiagang Investment conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 500 million new H shares at a consideration of RMB500 million.

In order to successfully implement the proposed H share issue and make effective use of the resource allocation of the capital market to accelerate the Company’s business transformation and asset structure adjustments and to further boost the growth of solar photovoltaic and other new businesses as well as to promote the Company’s sustained and rapid development, on 1 February 2018, the resolution in relation to the adjustment to the proposed H share issue was approved by the Board, pursuant to which, the number of new H shares to be issued by the Company under the proposed H share issue was adjusted to not more than 2.3 billion new H shares as compared to the previous number of not more than 2 billion new H shares. The amount of gross proceeds to be raised from the proposed H share issue upon adjustment was expected to be not more than RMB2.3 billion. The proceeds to be raised from the proposed H share issue will be used in Jiangsu Yongneng 2GW Photovoltaic Modules Project, instead of Shenmu-Caijing 50MWp Grid-connected Photovoltaic Power Station Project and Yangjiang 50MWp Surface Power Station Project as disclosed in the announcement of the Company dated 24 July 2017. On 18 April 2018, the Company entered into a subscription agreement with Hefei Xincheng State-owned Assets Management Co., Ltd.* (合肥鑫城國有資產經營有限公司) (“**Hefei Xincheng**”). Pursuant to such agreement, Hefei Xincheng conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 200 million new H shares at a consideration of RMB200 million. On 10 December 2018, the Company received the Approval of the Non-public Issue of H Shares by IRICO Group New Energy Company Limited (《關於彩虹集團新能源股份有限公司非公開發行H股股份有關問題的批覆》) (Guo Zi Chan Quan [2018] No. 880) issued by the State-owned Assets Supervision and Administration Commission (“**SASAC**”), pursuant to which the SASAC approved in principle the overall plan of the Company on its non-public issue of not more than 2.3 billion new H shares.

On 23 January 2019, the resolutions in relation to the proposed H share issue under a specific mandate was approved at the extraordinary general meeting and the H share class meeting, respectively, by the shareholders or the holders of H shares (as the case may be); the resolutions in relation to the proposed subscription by Zhongdian IRICO was approved at the extraordinary general meeting by the independent shareholders. On 6 June 2019, the Company received the Approval of the Issue of Overseas Listed Foreign Shares by IRICO Group New Energy Company Limited (Zheng Jian Xu Ke [2019] No. 965) (《關於核准彩虹集團新能源股份有限公司發行境外上市外資股的批覆》) issued by China Securities Regulatory Commission (“**CSRC**”), pursuant to which CSRC has approved the issue of not more than 2.3 billion new H shares by the Company. All such shares are ordinary shares with a par value of RMB1.00 each.

For details, please refer to the announcements of the Company dated 24 July 2017, 16 October 2017, 1 February 2018, 18 April 2018, 6 December 2018, 10 December 2018, 23 January 2019 and 6 June 2019, as well as the circular of the Company dated 31 December 2018.

IV. CORPORATE PROFILE

Executive Directors

Si Yuncong *Chairman*

Chen Xiaoning *re-designated as an executive director from non-executive director on 13 February 2019*

Non-executive Directors

Fan Laiying

Ni Huadong *appointed as a non-executive director on 28 May 2019*

Independent Non-executive Directors

Feng Bing

Wang Jialu

Wang Zhicheng

Audit Committee

Wang Zhicheng

Fan Laiying

Feng Bing

Wang Jialu

Chief Financial Officer

Gu Qiang

Secretary to the Board

Ni Huadong

Company Secretary

Chu Xiaohang

Authorized Representatives

Chen Xiaoning

Ni Huadong

Legal address in the PRC

No. 1 Caihong Road, Xianyang, Shaanxi Province
The People's Republic of China
Postal code: 712021

Place of business in Hong Kong

Units 1607–8, 16/F, Citicorp Centre,
18 Whitfield Road, Causeway Bay
Hong Kong

Company website

www.irico.com.cn

Legal adviser

Baker & McKenzie
14/F, One Taikoo Place, 979 King's Road,
Quarry Bay, Hong Kong

Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP
17–20/F, Block A, China Overseas International Center,
Building No. 7, Court No. 5, An Ding Road,
Chaoyang District, Beijing

Registrar of H Shares in Hong Kong

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

Investor and media relations

Wonderful Sky Financial Group Limited
9/F, The Center
No. 99 Queen's Road Central
Hong Kong

INDEPENDENT REVIEW REPORT

Xin Kuai Shi Bao Zi [2019] No.ZG24981

TO THE SHAREHOLDERS OF IRICO GROUP NEW ENERGY COMPANY LIMITED,

We have reviewed the financial statements of IRICO Group New Energy Company Limited (the “Company”), which comprise the consolidated balance sheet and the balance sheet of the Company as at 30 June 2019, the consolidated income statement and the income statement of the Company from January to June 2019, the consolidated statement of cash flows and the statement of cash flows of the Company, and the consolidated statement of changes in equity and the statement of changes in equity of the Company as well as the relevant notes to the financial statements. The management of the Company is responsible for the preparation of the financial statements. Our responsibility is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with Standard on Review Engagements for CPAs of China No. 2101 – Engagements to Review Financial Statements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is substantially less in scope than an audit conducted and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express any audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises, and cannot present fairly, in all material respects, the Company's financial positions, the operating performance and cash flows.

We draw your attention to Note II. (II) to the financial statements. The Company recorded net current liabilities of RMB2,371,381,800 as at 30 June 2019, which indicates that there are significant uncertainties over the ability of the Company to continue as a going concern. Such matters will not affect the audit opinions issued.

BDO China Shu Lun Pan Certified
Public Accountants LLP

Chinese Certified Public Accountant:
Xu Peimei
(Engagement partner)

Chinese Certified Public Accountant:
Gu Xin

Shanghai • China

27 August 2019



BALANCE SHEET*As at 30 June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Assets	<i>Note (V)</i>	Closing balance	Balance at the end of last year
Current Assets:			
Cash at bank and on hand	(I)	254,120,075.60	260,546,684.16
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets	(II)	112,875.58	679,095.34
Derivative financial assets			
Bills receivable	(III)	107,450,883.04	339,322,789.73
Accounts receivable	(IV)	721,756,594.55	666,021,403.75
Receivables financing	(V)	259,018,954.23	
Prepayments	(VI)	60,010,713.66	63,045,789.85
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	(VII)	92,895,618.64	249,397,827.25
Financial assets acquired for resale			
Inventories	(VIII)	176,195,811.45	166,308,583.08
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	(IX)	85,935,509.93	85,627,181.99
Total current assets		1,757,497,036.68	1,830,949,355.15

BALANCE SHEET (CONTINUED)*As at 30 June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Assets	<i>Note (V)</i>	Closing balance	Balance at the end of last year
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	(X)	179,885,645.26	179,326,419.17
Other investments in equity instruments	(XI)	281,140,200.66	250,009,608.42
Other non-current financial assets			
Investment properties			
Fixed assets	(XII)	1,498,193,496.38	1,502,164,833.71
Construction in progress	(XIII)	878,789,275.54	772,497,652.24
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(XIV)	19,841,384.01	
Intangible assets	(XV)	260,606,004.54	264,864,756.84
Development expenditures	(XVI)	6,550,203.36	
Goodwill	(XVII)	38,544,327.69	38,544,327.69
Long-term deferred expenses	(XVIII)	1,047,877.05	19,689,300.10
Deferred tax assets	(XIX)	1,045,646.47	861,194.97
Other non-current assets	(XX)	14,991,450.84	11,869,754.47
Total non-current assets		<u>3,180,635,511.80</u>	<u>3,039,827,847.61</u>
Total assets		<u>4,938,132,548.48</u>	<u>4,870,777,202.76</u>

The accompanying notes to the financial statements are constituent parts of the financial statements.

*Legal representative of
the enterprise:*

*Person in charge of
accounting:*

*Head of accounting
department:*

BALANCE SHEET (CONTINUED)*As at 30 June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note (V)</i>	Closing balance	Balance at the end of last year
Current liabilities:			
Short-term borrowings	(XXI)	411,000,000.00	434,252,466.63
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	(XXII)	547,331,168.64	490,689,505.29
Accounts payables	(XXIII)	998,824,511.23	889,384,282.44
Receipts in advance			
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	(XXV)	25,079,867.75	42,518,480.81
Taxes payable	(XXVI)	11,828,985.32	22,195,570.97
Other payables	(XXVII)	1,545,686,278.69	1,539,489,454.26
Handling fee and commission payable			
Reinsurance accounts payable			
Contract liabilities	(XXIV)	47,816,612.01	50,535,500.53
Held-for-sale liabilities			
Non-current liabilities due within one year	(XXVIII)	541,311,367.52	497,519,566.90
Other current liabilities			
Total current liabilities		<u>4,128,878,791.16</u>	<u>3,966,584,827.83</u>

BALANCE SHEET (CONTINUED)*As at 30 June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note (V)</i>	Closing balance	Balance at the end of last year
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	(XXIX)	158,501,800.00	595,375,744.44
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	(XXX)	16,236,720.64	
Long-term payables	(XXXI)	268,240,435.83	7,000,000.00
Long-term employee benefits payable	(XXXII)	11,321,052.85	10,856,171.40
Estimated liabilities			
Deferred income	(XXXIII)	71,688,451.91	76,512,512.01
Deferred tax liabilities	(XIX)	649,966.52	664,907.28
Other non-current liabilities	(XXXIV)	6,086,904.15	
Total non-current liabilities		532,725,331.90	690,409,335.13
Total Liabilities		4,661,604,123.06	4,656,994,162.96

BALANCE SHEET (CONTINUED)*As at 30 June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note (V)</i>	Closing balance	Balance at the end of last year
Equity attributable to the owners:			
Share capital	(XXXV)	2,232,349,400.00	2,232,349,400.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	(XXXVI)	943,531,444.10	943,531,444.10
Less: Treasury shares			
Other comprehensive income	(XXXVII)	-201,950,191.54	-233,080,783.78
Special reserve			
Surplus reserve	(XXXVIII)	22,477,267.06	22,477,267.06
General risk reserve			
Undistributed profit	(XXXIX)	-2,826,897,626.94	-2,872,034,688.32
Total equity attributable to the owner's of the Company		<u>169,510,292.68</u>	<u>93,242,639.06</u>
Minority interests		<u>107,018,132.74</u>	<u>120,540,400.74</u>
Total equity attributable to the owners		<u>276,528,425.42</u>	<u>213,783,039.80</u>
Total liabilities and equity attributable to the owners		<u>4,938,132,548.48</u>	<u>4,870,777,202.76</u>

The accompanying notes to the financial statements are constituent parts of the financial statements.

*Legal representative of
the enterprise:*

*Person in charge of
accounting:*

*Head of accounting
department:*

INCOME STATEMENT

January – June 2019

(All amounts in RMB Yuan unless otherwise stated)

Item	Note (V)	Amount for the period	Amount for the previous period
I. Total operating revenue		1,087,146,736.10	1,167,280,933.43
Including: Operating revenue	(XL)	1,087,146,736.10	1,167,280,933.43
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		1,159,941,413.47	1,114,424,709.40
Including: Operating costs	(XL)	987,418,284.27	968,554,023.30
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	(XLI)	5,428,494.64	7,772,875.14
Selling expenses	(XLII)	33,107,166.69	37,179,655.38
Administrative expenses	(XLIII)	58,575,618.26	50,015,508.60
Research and development expenses	(XLIV)	23,024,159.76	18,331,534.54
Finance costs	(XLV)	52,387,689.85	32,571,112.44
Including: Interest expense	(XLV)	44,795,136.31	38,197,559.40
Interest income	(XLV)	1,182,048.30	782,621.13

INCOME STATEMENT (CONTINUED)

January – June 2019

(All amounts in RMB Yuan unless otherwise stated)

Item	Note (V)	Amount for the period	Amount for the previous period
Add: Other income	(XLVI)	105,731,436.00	30,932,680.64
Investment income (loss is represented by "-")	(XLVII)	-990,532.79	142,959,573.86
Including: Gains from investment in associates and joint ventures	(XLVII)	559,226.09	-230,771.66
Income from derecognition of financial asset at the amortized cost	(XLVII)	-1,908,103.12	-1,300,446.72
Gains from foreign exchange (loss is represented by "-")			
Gains from net exposure hedges (loss is represented by "-")			
Gains from changes in fair value (loss is represented by "-")	(XLVIII)	39,390.82	215,036.56
Credit impairment losses (loss is represented by "-")	(XLIX)	-1,375,283.46	-695,722.81
Impairment losses on assets (loss is represented by "-")			
Gains from disposal of assets (loss is represented by "-")			
III. Operating profit (loss is represented by "-")		30,610,333.20	226,267,792.28
Add: Non-operating income	(L)	28,787.30	97,298.86
Less: Non-operating expenses	(LI)	124,742.12	87,857.45
IV. Total profit (total loss is represented by "-")		30,514,378.38	226,277,233.69
Less: Income tax expenses	(LII)	-1,100,415.00	5,108,217.96

INCOME STATEMENT (CONTINUED)*January – June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note (V)	Amount for the period	Amount for the previous period
V. Net profit (net loss is represented by “-”)		31,614,793.38	221,169,015.73
(I) Classified by continuity of operations:			
1. Net profit from continuing operations (net loss is represented by “-”)		31,614,793.38	221,169,015.73
2. Net profit from discontinued operations (net loss is represented by “-”)			
(II) Classified by ownership of equity			
1. Net profit attributable to the shareholders of the Company (net loss is represented by “-”)		45,137,061.38	202,029,611.62
2. Minority interests (net loss is represented by “-”)		-13,522,268.00	19,139,404.11
VI. Other comprehensive income, net of tax		31,130,592.24	-11,650,268.33
Other comprehensive income (net of tax) attributable to the owners of the Company		31,130,592.24	-11,650,268.33
(I) Other comprehensive income that cannot be reclassified to profit or loss		31,130,592.24	-11,673,972.09
1. Re-measurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments		31,130,592.24	-11,673,972.09
4. Change in fair value of enterprise's own credit risk			

INCOME STATEMENT (CONTINUED)*January – June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note (V)	Amount for the period	Amount for the previous period
(II) Other comprehensive income that will be reclassified to profit or loss			23,703.76
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investment			
3. The amount of financial assets reclassified into other comprehensive income			
4. Other debt investment credit impairment provision			
5. Cash flow hedging reserve			
6. Exchange differences from translation of foreign currency financial statements			23,703.76
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			
VII. Total comprehensive income		62,745,385.62	209,518,747.40
Total comprehensive income attributable to the owners of the Company		76,267,653.62	190,379,343.29
Total comprehensive income attributable to minority shareholders		-13,522,268.00	19,139,404.11
VIII. Earnings per share:			
(I) Basic earnings per share (<i>RMB/share</i>)	(LVII)	0.02	0.09
(II) Diluted earnings per share (<i>RMB/share</i>)	(LVII)	0.02	0.09

*Legal representative of
the enterprise:**Person in charge of
accounting:**Head of accounting
department:*

STATEMENT OF CASH FLOWS

January – June 2019

(All amounts in RMB Yuan unless otherwise stated)

Item	Note (V)	Amount for the period	Amount for the previous period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		659,925,511.05	808,501,393.07
Net increase in customer deposit and interbank deposit			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Cash received from original insurance contract premium			
Net cash received from reinsurance			
Net increase in policy-holder deposit and investment			
Cash received for interest, handling charges and commission			
Net increase in placements from banks and other financial institutions			
Net increase in repurchase business funds			
Net cash received from brokerage for dealing securities			
Receipts of tax refunds		19,917,537.05	21,861,566.35
Cash received relating to other operating activities	(LIII)	595,384,308.49	19,515,416.57
Sub-total of cash inflows from operating activities		1,275,227,356.59	849,878,375.99
Cash paid for purchasing goods and receiving services		495,736,712.47	469,675,049.17
Net increase in loans and advances to customers			
Net increase in central bank deposit and interbank deposit			
Cash paid for insurance indemnities of original insurance contracts			

STATEMENT OF CASH FLOWS (CONTINUED)*January – June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note (V)	Amount for the period	Amount for the previous period
Net increase in held-for-trading financial assets			
Net increase in placements with banks and other financial institutions			
Cash paid for interest, handling charges and commission			
Cash paid for policy bonus			
Cash paid to and for employees		103,687,295.34	98,619,720.35
Cash paid for taxes and surcharges		12,572,911.75	24,065,639.70
Cash paid relating to other operating activities	(LIII)	464,985,158.39	225,198,124.83
Sub-total of cash outflows from operating activities		1,076,982,077.95	817,558,534.05
Net cash flows from operating activities		198,245,278.64	32,319,841.94
II. Cash flows from investing activities			
Cash received from disposal of investments			23,497,602.29
Cash received from returns on investments			358,472.03
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business entities			
Cash received from other investing activities	(LIII)	1,334,699.71	499,873.32
Sub-total of cash inflows from investing activities		1,334,699.71	24,355,947.64

STATEMENT OF CASH FLOWS (CONTINUED)*January – June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note (V)	Amount for the period	Amount for the previous period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		59,390,546.19	177,942,542.60
Cash paid for investment			
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business entities			
Cash paid relating to other investing activities	(LIII)	353,152.27	38,148,339.86
Sub-total of cash outflows from investing activities		59,743,698.46	216,090,882.46
Net cash flows from investing activities		-58,408,998.75	-191,734,934.82
III. Cash flows from financing activities			
Cash received from absorbing investments Including: Cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		311,500,000.00	602,708,981.00
Cash received from issuing of bonds			
Cash received relating to other financing activities	(LIII)	753,000,000.00	30,390,047.21
Sub-total of cash inflows from financing activities		1,064,500,000.00	633,099,028.21

STATEMENT OF CASH FLOWS (CONTINUED)*January – June 2019**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note (V)	Amount for the period	Amount for the previous period
Cash paid for repayment of borrowings		573,992,950.83	541,768,581.67
Cash paid for distribution of dividends and profits or for interest expenses		44,937,410.36	53,704,809.60
Including: Dividends or profits paid to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	(LIII)	651,514,961.12	19,339,400.00
Sub-total of cash outflows from financing activities		1,270,445,322.31	614,812,791.27
Net cash flows from financing activities		-205,945,322.31	18,286,236.94
IV. Effect of changes in exchange rate on cash and cash equivalents		72.39	518,380.29
V. Net increase in cash and cash equivalents		-66,108,970.03	-140,610,475.65
Add: Cash and cash equivalents at the beginning of the period		128,620,277.04	233,413,663.85
VI. Cash and cash equivalents at the end of the period		62,511,307.01	92,803,188.20

The accompanying notes to the financial statements are constituent parts of the financial statements.

*Legal representative of
the enterprise:*

*Person in charge of
accounting:*

*Head of accounting
department:*

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

January – June 2019

(All amounts in RMB Yuan unless otherwise stated)

Item	Amount for the period															
	Equity attributable to the owners of the Company															
	Other equity instruments		Less:		Other		Special		General							
Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Surplus reserve	Special reserve	Surplus reserve	risk reserve	Undistributed profit	Other	Sub-total	Minority interests	Total owners' equity	
4. Others																
(VI) Transfer to owners' equity																
1. Transfer to capital (or share capital) from capital reserve																
2. Transfer to capital (or share capital) from surplus reserve																
3. Surplus reserves for making up losses																
4. Changes in defined benefit plans transferred to retained earnings																
5. Other comprehensive income transferred to retained earnings																
6. Others																
(VI) Special reserve																
1. Appropriations in the period																
2. Utilization in the period																
(VII) Others																
IV. Closing balance for the period	2,232,346,400.00			943,531,444.10		-201,950,191.54		22,477,267.06			-2,826,897,626.94		169,510,292.88	1,07,016,132.74	276,238,425.42	

Legal representative of the enterprise: Person in charge of accounting: Head of accounting department:

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

January – June 2019

(All amounts in RMB Yuan unless otherwise stated)

Item	Amount for the previous period												
	Equity attributable to the owners of the Company												
	Other equity instruments		Less:		Other		General		Sub-total		Total owners' equity		
Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Other		Minority interests	
4. Others													
(III) Profit distribution													
1. Appropriations of surplus reserve													
2. Appropriation of general risk reserve													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Transfer of owners' equity													
1. Transfer to capital (or share capital) from capital reserve													
2. Transfer to capital (or share capital) from surplus reserve													
3. Surplus reserves for making up losses													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriations in the period													
2. Utilization in the period													
(VI) Others													
IV. Closing balance for the period	2,232,349,400.00		943,531,444.10			-130,338,981.79		22,477,267.06	-2,751,303,066.27		316,916,073.10	134,191,503.96	451,107,577.08

Legal representative of the enterprise: *Person in charge of accounting:*

Person in charge of accounting:

Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

I. COMPANY PROFILE

(I) Company Profile

IRICO Group New Energy Company Limited* (the “Company”), the former IRICO Group Electronics Company Limited, was established upon approval as a joint stock company (listed) and obtained the business license from the Administration for Industry and Commerce on 10 September 2004.

As at 30 June 2019, the total share capital of the Company was 2,232,349,400 shares and the registered capital was RMB2,232,349,400. The unified social credit code of the Company was 916100007663066019. The place of registration was the courtyard at No. 1 Caihong Road, Qingdu District, Xianyang, Shaanxi Province; its legal representative was Chen Xiaoning; its address of headquarters was the courtyard at No. 1 Caihong Road, Qingdu District, Xianyang, Shaanxi Province.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***I. COMPANY PROFILE (CONTINUED)****(I) Company Profile (Continued)**

Business scope of the Company mainly comprises: the construction and operation of solar power plants; research, development, production and sales of solar photovoltaic glass, tempered glass, coated glass, conductive film glass, flat glass, and vacuum glass; research, development, production and sales of solar cell chip, solar cell module and their auxiliary products as well as silicon materials; solar photovoltaic power generation related business and research, development, production and sales of energy storage battery, inverter, smart grids for home appliances, and other auxiliary products; processing and further processing of quartz sand, an upstream material for solar photovoltaic glass; research, development, production and sales of power battery, cathode and anode materials of lithium battery, and upstream materials of lithium battery materials; research, development, manufacturing and sales of flat panel displays and auxiliary products and materials, electronic products; self-operated and commissioned import business for various commodities and technologies; operation of processing imported goods and “Three-plus-one” business (i.e. processing and compensation trade); foreign trade and entrepot trade; research, development, manufacturing and sales of computer software and hardware, chemical products, information technology, industrial control systems and its complete devices; processing and repairing machinery; development of, training and consultation on electronic information technology; acquisition, processing and utilization of waste materials, sales of accumulated materials; development, research, production and sales of new materials and high-tech products; medical and rehabilitation services, elderly care and healthcare services.

The parent company of the Company is IRICO Group Corporation Limited.

The financial statements have been reported after approval by all Directors of the Company (the Board) on 27 August 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

I. COMPANY PROFILE (CONTINUED)

(II) *Scope of the consolidated financial statements*

As at 30 June 2019, subsidiaries included in the scope of the consolidated financial statements are set out as below:

Name

Shaanxi IRICO New Material Co., Ltd*

Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹佳潤澤礦業有限公司)

IRICO (Hefei) Photovoltaic Co., Ltd.*

IRICO Group Electronics (Hong Kong) Company Limited

Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司)

IRICO Yan'an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司)

Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司)

Shaanxi IRICO Xinneng Glass Co., Ltd.* (陝西彩虹新能玻璃有限公司)

For the details of the scope and changes of the consolidated financial statements for the current period, please refer to “VI. Change in Scope of Consolidation” and “VII. Interests in Other Entities” in the notes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS****(I) Basis of preparation**

The financial statements of the Company have been prepared on a going concern basis in respect of actual transactions and matters, in accordance with the Accounting Standards for Business Enterprises-Basic Standards and its relevant specific accounting standards, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant requirements (together referred to as the “Accounting Standards for Business Enterprises”) promulgated by the Ministry of Finance of the PRC, as well as the disclosure requirements under the Rules for the Information Disclosure of Companies Offering Securities to the Public No. 15 –General Rules on Financial Reporting issued by China Securities Regulatory Commission.

(II) Going concern

During the period from January to June 2019, the Company recorded total profit of RMB30,514,400 and net cash flows from operating activities of RMB198,245,300. As at 30 June 2019, the Company had current liabilities of RMB4,128,878,800, and current assets of RMB1,757,497,000, with the former far higher than the latter, which indicated that the Company would be under heavy debt repayment pressure in the short term and subject to liquidity risks. However, the Company will take the following measures to ensure the safety of its funds and improve its business results:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(II) Going concern (Continued)

1. The Company will actively push forward its additional issuance of shares and has obtained approval from the SASAC and the CSRC. Upon completion of the additional issuance, the Company will speed up the construction of projects financed by the proceeds and put them into production, thus creating new profit growth points for the Company. Meanwhile, the Company's asset-liability ratio and finance costs will be significantly reduced;
2. As Phase II of Hefei Photovoltaic Glass has been put into operation and Yan'an Photovoltaic Glass project commenced operation in 2019, the Company's future production, sales volume, revenue and the market share of its products are expected to increase significantly;
3. The Company will continue to promote lean production management, and further reduce product costs through technological innovations, improving rate of qualified products, implementing centralized purchase of bulk materials, carrying out comprehensive benchmarking and other measures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**(II) Going concern (Continued)**

In view of the foregoing, the Board has no intention to wind up or close the Company and it is confident that the Company will not be forced to enter winding-up or dissolution proceedings in the next accounting period. Therefore, the Company believes that the financial statements for this year shall still be prepared on a going concern basis in respect of actual transactions and matters in accordance with the Accounting Standards for Business Enterprises and relevant requirements promulgated by the Ministry of Finance, and based on the significant accounting policies and estimates set out in Note III headed "Significant Accounting Policies and Accounting Estimates".

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**Notes to specific accounting policies and accounting estimates:**

The following disclosures cover the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its production and operation. Please refer to the notes "III. (XXV) Revenue".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(I) *Statement on compliance with the Accounting Standards for Business Enterprises*

The financial statements of the Company have been prepared in compliance with the requirements of the Accounting Standards for Business Enterprises, reflecting the Company's financial position, operating results, cash flows and other relevant information during the reporting period on a true and complete basis.

(II) *Accounting period*

Accounting year is the calendar year from 1 January to 31 December.

(III) *Operating cycle*

The Company takes 12 months as its operating cycle.

(IV) *Functional currency*

The functional currency of the Company is Renminbi (RMB).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(V) *Accounting treatment of business combinations under common control and not under common control***

Business combinations involving entities under common control: The assets and liabilities acquired by the Company through business combination shall be measured at the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control: The assets paid and liabilities incurred or committed as a consideration of business combination by the Company are measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be charged to current profit or loss. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognize such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(V) Accounting treatment of business combinations under common control and not under common control (Continued)

The agency fee such as audit, legal service and evaluation consultation and other fees which are directly related to the business combination shall be recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities issued for business combination shall be offset against equity.

(VI) Preparation method of consolidated financial statements

1. Scope of consolidation

The scope of consolidation of the consolidated financial statements of the Company is determined based on control, and all subsidiaries (including separable parts of investees controlled by the Company) are included in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) *Preparation method of consolidated financial statements (Continued)*

2. *Consolidation Procedures*

The Company prepares the consolidated financial statements based on its own financial statements and those of each subsidiary and other relevant information. When preparing the consolidated financial statements, the Company considers the entire enterprise group as a single accounting entity and presents the overall financial position, operating results and cash flows of the enterprise group according to the recognition, measurement and reporting requirements of relevant Accounting Standards for Business Enterprises based on the consistent accounting policies.

The accounting policies and accounting period adopted by all subsidiaries that fall within the scope of consolidation of the consolidated financial statements shall be consistent with those adopted by the Company. Any inconsistent accounting policies and accounting period adopted by a subsidiary will be subject to necessary adjustments to align with those of the Company when preparing the consolidated financial statements. In respect of the subsidiaries acquired through business combination not under common control, their financial statements are adjusted based on the fair value of identifiable net assets as at the date of purchase. In respect of the subsidiaries acquired through business combination under common control, their financial statements are adjusted based on the book values of the assets and liabilities (including goodwill arising from the acquisition of such subsidiaries by the ultimate controlling party) in the financial statements of the ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation method of consolidated financial statements (Continued)

2. Consolidation Procedures (Continued)

Owners' equity, net profit or loss of the current period and comprehensive income attributable to minority shareholders of the current period of subsidiaries are stated separately under owners' equity in the consolidated balance sheet, net profit in the consolidated income statement and total comprehensive income respectively. Loss of the current period assumed by minority shareholders of a subsidiary in excess of minority shareholders' share of owners' equity in that subsidiary at the beginning of the period is offset against minority interests.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(VI) Preparation method of consolidated financial statements
(Continued)****2. Consolidation Procedures (Continued)****(1) Addition of subsidiary or business**

During the reporting period, if there is an addition of subsidiary or business due to business combination under common control, the amount at the beginning of the period in the consolidated balance sheet will be adjusted; the income, expenses and profit of the subsidiary or business combination from the beginning of the period to the end of the reporting period will be included in the consolidated income statement; the cash flows of the subsidiary or business combination from the beginning of the period to the end of the reporting period will be included in the consolidated statement of cash flows, and relevant items in the comparative statements will also be adjusted as if the reporting entity after combination had been existing since the control of the ultimate controlling party started.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) *Preparation method of consolidated financial statements (Continued)*

2. *Consolidation Procedures (Continued)*

(1) Addition of subsidiary or business (Continued)

Where control over the investee under common control is obtained due to reasons such as increase in investments, adjustment is made as if the parties involved in the combination had been existing in the current condition since the control of the ultimate controlling party started. For equity investment held before the control over the acquiree is obtained, profit or loss, other comprehensive income and other changes in net assets recognized from the later of the acquisition of the original equity interest and the date when the acquirer and the acquiree are placed under common control until the date of combination are offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

During the reporting period, if there is an addition of subsidiary or business due to business combination not under common control, the amount at the beginning of the period in the consolidated balance sheet will not be adjusted; the income, expenses and profit of the subsidiary or business from the date of purchase to the end of the reporting period will be included in the consolidated income statement; the cash flows of the subsidiary or business from the date of purchase to the end of the reporting period will be included in the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(VI) Preparation method of consolidated financial statements (Continued)***2. Consolidation Procedures (Continued)**(1) Addition of subsidiary or business (Continued)*

Where control over the investee not under common control is obtained due to reasons such as increase in investments, for the equity interest of the acquiree held before the date of purchase, the Company remeasures the equity interest at its fair value as at the date of purchase, and any difference between the fair value and its book value will be accounted for as investment gains of the period. Where equity interest of the acquiree held before the date of purchase is related to other comprehensive income under equity accounting and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owners' equity related thereto are transferred to investment gains of the period to which the date of purchase belongs, except for other comprehensive income arising from the changes in net liabilities or net assets due to the re-measurement of defined beneficiary plans by the acquiree.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation method of consolidated financial statements (Continued)

2. Consolidation Procedures (Continued)

(2) Disposal of subsidiary or business

① General treatment for disposal

During the reporting period, for the disposal of a subsidiary or business, the income, expenses and profit of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated statement of cash flows.

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company re-measures the remaining equity investment at fair value as at the date on which control is lost. The difference between the sum of the consideration received from equity disposal and the fair value of the remaining equity

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(VI) Preparation method of consolidated financial statements (Continued)***2. Consolidation Procedures (Continued)**(2) Disposal of subsidiary or business (Continued)**① General treatment for disposal (Continued)*

interest and the sum of the net assets of the subsidiary proportionate to the original shareholding accumulated from the date of purchase or combination and goodwill is included in investment gains of the period during which the control is lost. Other comprehensive income related to the equity investment in the original subsidiary or other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution are transferred to investment gains of the period during which the control is lost, except for other comprehensive income arising from the changes in net liabilities or net assets due to the re-measurement of defined beneficiary plans by the investee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation method of consolidated financial statements (Continued)

2. Consolidation Procedures (Continued)

(2) Disposal of subsidiary or business (Continued)

① General treatment for disposal (Continued)

Where loss of control is due to the decrease in the Company's shareholding as a result of the increase in capital contribution to the subsidiary by other investing parties, the accounting principle described above will be applied.

② Stepwise disposal of subsidiary

In respect of stepwise disposal of equity investment in a subsidiary through multiple transactions until control is lost, if the terms, conditions and economic effects of the transactions of equity investment in the subsidiary satisfy one or more of the following conditions, the transactions are normally accounted for as a package of transactions:

- i. these transactions are entered into simultaneously or after considering the effects of each other;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) *Preparation method of consolidated financial statements (Continued)*

2. *Consolidation Procedures (Continued)*

(2) Disposal of subsidiary or business (Continued)

② Stepwise disposal of subsidiary (Continued)

- ii. these transactions constitute a complete commercial result as a whole;
- iii. one transaction is conditional upon at least one of the other transaction;
- iv. one transaction is not economical on its own but is economical when considering together with other transactions.

Where the transactions of disposal of equity investment in a subsidiary until control is lost constitute a package of transactions, the Company accounts for the transactions as a transaction of disposal of a subsidiary resulting in the loss of control; however, the difference between the amount received each time for disposal before control is lost and the net assets of such subsidiary corresponding to the disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and upon loss of control, is transferred to profit or loss of the period during which control is lost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation method of consolidated financial statements (Continued)

2. Consolidation Procedures (Continued)

(2) Disposal of subsidiary or business (Continued)

② Stepwise disposal of subsidiary (Continued)

Where the transactions of disposal of equity investment in a subsidiary until control is lost do not constitute a package of transactions, before the loss of control, the transactions are accounted for using the policy related to partial disposal of equity investment in a subsidiary that does not involve loss of control; when control is lost, they are accounted for using the general method for disposal of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(VI) Preparation method of consolidated financial statements (Continued)****2. Consolidation Procedures (Continued)****(3) Purchase of minority interests in subsidiary**

For the difference between the long-term equity investment newly acquired due to the purchase of minority interests by the Company and the share of net assets of the subsidiary calculated according to the new shareholding accumulated from the date of purchase (or date of combination), share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

(4) Partial disposal of equity investment in subsidiary without loss of control

For the difference between the consideration received from partial disposal of long-term equity investment in a subsidiary without loss of control and the net assets of the subsidiary corresponding to the long-term equity investment disposed accumulated from the date of purchase of date of combination, share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Classification of joint arrangements and accounting treatment

Joint arrangements can be classified into joint operations and joint ventures.

When the Company is a party to a joint arrangement and has rights to the assets, and obligations for the liabilities, relating to such arrangement, the joint arrangement is classified as a joint operation.

The Company recognises the following items in relation to its share of benefits in joint operations and accounts for them according to relevant Accounting Standards for Business Enterprises:

- (1) the assets held solely by the Company and those jointly held on a pro-rata basis;
- (2) the liabilities assumed solely by the Company and those jointly assumed on a pro-rata basis;
- (3) the income generated from the sale of the products of the joint operation attributable to the Company;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(VII) Classification of joint arrangements and accounting treatment (Continued)***

- (4) the income generated by the joint operation from the sale of products on a pro-rata basis;
- (5) the expenses incurred solely by the Company and those incurred by the joint operation on a pro-rata basis.

Please refer to Note “III. (XIV) Long-term equity investments” for details on the Company’s accounting policy on investment in joint ventures.

(VIII) Recognition standard for cash and cash equivalents

When preparing the statement of cash flows, the Company’s cash on hand and deposits that can be used readily for payments are recognized as cash. Investments that satisfy four conditions, namely short-term (mature within three months from the date of purchase), highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, are recognized as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IX) Translation of foreign currency transactions and statements denominated in foreign currency

1. Foreign currency transactions

For foreign currency transactions, amounts in foreign currency are translated into and recorded in RMB at the spot rates prevailing on the dates of transactions.

Balance of monetary items in foreign currency as at the balance sheet date is translated at the spot rates prevailing at the balance sheet date, and any translation difference arising therefrom is included in profit or loss of the period except for the translation difference arising from dedicated borrowings in foreign currency related to the construction of qualifying assets which is accounted for under the principle of capitalisation of borrowing expenses.

2. Translation of financial statements denominated in foreign currency

The assets and liabilities in the balance sheets are translated at the spot exchange rate on the balance sheet date. Except for “Retained earnings”, all items under owner’s equity are translated at the spot exchange rates when incurred. The income and expenses items in the income statement are translated at the spot exchange rates on the transaction dates.

On disposal of a foreign operation, the translation difference of the financial statements in foreign currency relating to that foreign operation is transferred from owners’ equity to profit or loss of the period during which the disposal occurs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) *Financial instruments***

Financial instruments include financial assets, financial liabilities and equity instruments.

1. *Classification of financial instruments*

According to the business model of the Company for management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as financial assets measured at amortized cost, or financial assets (debt instruments) measured at fair value through profit or loss, or other financial assets that are measured at fair value through profit or loss. For non-trading equity instrument investments, the Company determines at the initial recognition whether it is designated as a financial asset (equity instrument) that is measured at fair value through other comprehensive income.

Financial liabilities, at initial recognition, are classified into financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

1. *Classification of financial instruments (Continued)*

When meeting any of the following criteria, the Company may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss:

- 1) Such designation would eliminate or significantly reduce a measurement or recognition inconsistency.
- 2) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.
- 3) The financial liabilities include embedded derivatives which can be split separately.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)**

2. *Recognition basis and measurement method of financial instruments*

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost, including notes receivable and accounts receivable, other receivables, long-term receivables, and debt investments, are initially measured at fair value plus relevant transaction costs. Accounts receivable that do not contain significant financing components and accounts receivable that the Company has decided not to consider for a financing component of no more than one year are initially measured at the contractual transaction price.

Interest calculated under the effective interest method during the period of holding is included in current profit or loss.

When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. *Recognition basis and measurement method of financial instruments (Continued)*

- (2) Financial assets (debt instruments) measured at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income, including financing receivables and other debt investments, are initially measured at fair value plus relevant transaction costs. These financial assets are subsequently measured at fair value, with changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method.

On derecognition, the accumulated gain or loss previously recognized in other comprehensive income is transferred out from other comprehensive income and recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)**

2. *Recognition basis and measurement method of financial instruments (Continued)*

- (3) Financial assets (equity instruments) measured at fair value through other comprehensive income

Financial assets (equity instruments) measured by fair value through other comprehensive income, including other equity instruments, are initially measured at fair value plus relevant transaction costs, and subsequently measured at fair value through other comprehensive income. The dividends received are included in current profit or loss.

On derecognition, the accumulated gain or loss previously included in other comprehensive income is transferred out from other comprehensive income and included in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. *Recognition basis and measurement method of financial instruments (Continued)*

- (4) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss, including held-for-trading financial assets, derivative financial assets and other non-current financial assets, are initially measured at fair value with relevant transaction costs included in current profit or loss, and subsequently measured at fair value through profit or loss.

On derecognition, the difference between the fair value and the initially recorded amount is recognized as investment income, with corresponding adjustment made to gain or loss from changes in fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)**

2. *Recognition basis and measurement method of financial instruments (Continued)*

- (5) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, including held-for-trading financial liabilities, derivative financial liabilities, etc., are initially measured at fair value with relevant transaction costs recognized in profit or loss, and subsequently measured at fair value through profit or loss.

On derecognition, the difference between the fair value and the initially recorded amount is recognized as investment income, with corresponding adjustment made to gain or loss from changes in fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. *Recognition basis and measurement method of financial instruments (Continued)*

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost, including short-term borrowings, bills payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, are initially measured at fair value plus relevant transaction costs.

Interest calculated using the effective interest method during the period of holding is included in current profit or loss.

On derecognition, the difference between the consideration paid and the carrying amount of the financial liability is recognized in current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)**

3. *Recognition basis and measurement method for financial asset transfers*

When transferring a financial asset, if substantially all the risks and rewards of ownership of the financial asset are transferred to the transferee, the Company shall derecognize such asset; if the Company retains substantially all risks and rewards of ownership of the financial asset, the Company shall continue to recognize such asset.

When judging whether the transfer of a financial asset meets the above criteria for derecognition, the substance-over-form principle shall be applied. The Company differentiates the transfer of a financial asset as full transfer or partial transfer. If the full transfer of a financial asset meets the criteria for derecognition, then the difference between the following two included in current profit or loss:

- (1) the book value of the financial asset transferred; and
- (2) the sum of the consideration received from the transfer and the total amount of the fair value changes that is directly charged or credited to owners' equity (if the asset transferred is a financial asset (debt instrument) at fair value through other comprehensive income).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

3. *Recognition basis and measurement method for financial asset transfers (Continued)*

When the partial transfer of a financial asset meet the criteria for derecognition, the entire book value of the financial asset transferred shall be allocated between the part derecognized and the part to be recognized based on their respective fair value, with the difference between the following two included in current profit or loss:

- (1) The book value of the part that is derecognized; and
- (2) The sum of the consideration attributable to the part derecognized and the total amount of the fair value changes that is directly charged or credited to owners' equity and attributable to the part derecognized (if the asset transferred is an financial asset (debt instrument) at fair value through other comprehensive income).

If the transfer of a financial asset does not meet the criteria for derecognition, the financial asset shall continue to be recognized and the consideration received is recognized as a financial liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)****4. Conditions for derecognition of financial liabilities**

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part of it will be derecognized; if the Company signs an agreement with the creditor to replace the existing financial liability with new financial liability of substantially different contractual terms, the existing financial liability shall be derecognized while the new financial liability shall be recognized.

If substantial changes are made to the contractual terms (in whole or in part) of the existing financial liability, the existing financial liability (or part of it) shall be derecognized, and the financial liability after the modification of terms shall be recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the book value of the financial liability derecognized and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

4. *Conditions for derecognition of financial liabilities (Continued)*

If the Company repurchases part of a financial liability, the book value of the entire financial liability is allocated between the part that continues to be recognized and the part that is derecognized on the repurchase date based on their respective relative fair value. The difference between the book value assigned to the part derecognized and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in current profit or loss.

5. *Determination of fair value of financial assets and financial liabilities*

As for financial instruments with an active market, their fair values are determined by quoted prices in the active market. As for financial instruments without an active market, their fair values are determined by using valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable in the current circumstances and sufficiently supported by available data and other information, and selects inputs that are consistent with the characteristics of the assets or liabilities considered by the market participants in the transactions of the relevant assets or liabilities, and prioritizes the use of relevant observable inputs. Unobservable inputs are used only if the relevant observable inputs are unavailable or not reasonably available.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)**

6. *Test and accounting methods for impairment of financial assets (excluding receivables)*

For financial assets at amortized cost (including bills receivable and accounts receivable, other receivables), debt investments classified at fair value through other comprehensive income, lease receivables and contract assets, the Company perform impairment tests and recognizes provision for impairment losses based on expected credit losses.

On each balance sheet date, the Company assesses whether the credit risk of relevant financial instruments has increased significantly since the initial recognition. The process of credit impairment of a financial instrument is divided into three stages, and there are different accounting treatment methods for impairment of financial instruments at different stages: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since the initial recognition, the Company measures the loss provisions at an amount equal to 12-month expected credit losses of the financial instrument and calculates interest income based on its book balance (inclusive of provision for impairment) and effective interest rate; (2) In the second stage, if the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, the Group measures the loss provisions according to the lifetime expected credit loss of the financial instrument and calculates interest income based on its book balance and effective interest rate; (3) In the third stage, if credit impairment occurs after the initial recognition, the Company will measure loss provisions according to the lifetime expected credit loss of the financial instrument and calculates interest income based on its amortized cost (book balance less the provision for impairment made) and effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

6. *Test and accounting methods for impairment of financial assets (excluding receivables) (Continued)*

1. Method for measuring loss provisions for financial instruments with lower credit risk

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and uses a simplified method, i.e. measurement of loss provisions at an amount equal to 12-month expected credit losses.

2. Method for measurement of loss provisions for accounts receivable, contract assets and lease receivables

For the accounts receivable or contract assets arising from transactions under Accounting Standards for Business Enterprises No. 14 – Revenue (whether or not containing significant financing components) and the lease receivables under Accounting Standards for Business Enterprises No. 21 – Leases, the Company applies a simplified method, i.e. measurement of loss provisions always at the lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)**

6. *Test and accounting methods for impairment of financial assets (excluding receivables) (Continued)*

3. Method for measurement of loss provisions for other financial assets

For financial assets other than those mentioned above, e.g. debt investment, other debt investment, other receivables, long-term receivables other than lease receivables, etc., the Group measures loss provisions with the general method, i.e. the “three-stage” model.

In case of credit impairment at measurement of financial instruments, the following information is taken into account when assessing whether credit risk has increased significantly: (1) Whether internal price indicator resulted from change in credit risk has changed significantly; (2) If the existing financial instruments are derived into or issued as new financial instruments at the reporting date, whether interest rates or other terms of the above financial instruments have changed significantly; (3) Whether external market indicators of credit risk for the same financial instrument or financial instruments with shared expected life have changed significantly; (4) Whether external credit rating of the financial instrument has actually changed significantly or is expected to change significantly; (5) Whether the borrower's internal credit rating is actually lowered or is expected to be lowered; (6) Whether expected detrimental changes in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) *Financial instruments (Continued)*

6. *Test and accounting methods for impairment of financial assets (excluding receivables) (Continued)*

3. Method for measurement of loss provisions for other financial assets (Continued)

business, financial and economic conditions of the borrower which will affect borrower's ability to perform repayment obligation have changed significantly; (7) Whether the actual or expected financial performance of the borrower has changed significantly; (8) Whether credit risk of other financial instruments issued by the same borrower has increased significantly; (9) Whether supervisory, economic or technical environment for the borrower has significant detrimental changes; (10) Whether the value of the collateral supporting the obligation or the quality of third-party guarantees or credit enhancements has changed significantly; (11) Whether the economic motive that will lower the borrower's repayment based on contractual stipulation has changed significantly; (12) Expected changes in the loan contract including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the financial instrument; (13) Whether the borrower's expected performance and repayment activities have changed significantly; (14) Whether the Company's financial instrument management measures have changed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)**

6. *Test and accounting methods for impairment of financial assets (excluding receivables) (Continued)*

3. Method for measurement of loss provisions for other financial assets (Continued)

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Company re-measures the expected credit losses on each balance sheet date, and the resulting increase in or reversal of loss provision shall be included in current profit or loss as impairment losses or gains, and shall be deducted from the carrying amounts of the financial assets on the balance sheet or included in the accrued liabilities (loan commitments or financial guarantee contract) or other comprehensive income (debt investment at fair value through other comprehensive income) according to the type of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

7. Offset of financial assets and financial liabilities

A financial asset and a financial liability shall be offset with the net amount presented in the balance sheet when the Company currently has a legally enforceable right of set-off and both parties intend either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously.

8. Distinction between financial liabilities and equity instruments and related treatment

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. If the Company cannot unconditionally avoid delivering a contractual obligation by delivering cash or other financial assets, the contractual obligation is a financial liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)**

8. *Distinction between financial liabilities and equity instruments and related treatment (Continued)*

For a financial instrument that is a financial liability, relevant interest, dividends, gains, losses, and gains or losses arising from redemption or refinancing shall be included in current profit or loss.

For financial instruments that are equity instruments, when they are issued, repurchased, sold or canceled, the issuer shall deal with the change of equity, and shall not recognize the change in the fair value of the equity instruments. The issuer's distribution to the holder of the equity instruments shall be treated as profit distribution.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Provision for bad debt of the accounts receivable

1. Accounts receivable

For accounts receivable, whether it contains significant financing components, the Company always measures its loss provision at the lifetime expected credit losses, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

According to the credit risk characteristics, the Company divides the bills receivable and accounts receivable and contract assets into several combinations, and calculates the expected credit losses on a combined basis.

If any objective evidence indicates that an account receivable has been credit impaired, the Company shall make individual provision for bad debts and recognize the expected credit losses for the accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XI) Provision for bad debt of the accounts receivable (Continued)******2. Other receivables***

For the measurement of impairment loss of other receivables other than accounts receivable (including bills receivable, other receivables, long-term receivables, etc.), the Company adopts the methods in line with the Note "III.(X) Financial instruments - 6. Test and accounting methods for impairment of financial assets (excluding receivables)".

(XII) Inventories***1. Classification***

Inventories are classified into raw materials, revolving materials, packaging materials, low-value consumables, unfinished products, finished goods (goods in stock), and others.

2. Measurement for inventories delivered

Upon delivery, inventories are measured with the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories (Continued)

3. *Determination basis of net realizable value of different types of inventories*

Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling prices less related selling costs and taxes; the net realizable value of inventory materials, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling costs and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the excess part shall be calculated on the ground of general selling price. At the end of reporting period, provision for inventory depreciation is made based on individual inventory items; For large quantity and lowvalue items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for inventory depreciation may be determined on an aggregate basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XII) Inventories (Continued)***

3. *Determination basis of net realizable value of different types of inventories (Continued)*

Unless there is evidence clearly shows that abnormality in market price exists as of the balance sheet date, the net realizable value of inventories is determined based on the market price as of the balance sheet date.

The net realizable value of inventories at the end of current period is determined based on the market price of the balance sheet date.

4. *Inventory system*

The Company adopts perpetual inventory system.

5. *Amortization of low-value consumables and packaging materials*

(1) Low-value consumables are amortized using one-off write-off method:

(2) Packaging materials are amortized using one-off write-off method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIII) Contract assets

1. *Method and standards for recognition of contract assets*

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration (except for receivables) that the Company has the right to receive for goods transferred or services provided to customers is listed as contract assets.

2. *Method of determination of expected credit loss of contract assets and accounting treatment methods*

For contract assets, whether they contain significant financing components, the Company always measures the loss provision at the lifetime expected credit loss, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XIV) Long-term equity investments******1. Joint control or significant influence criterion***

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. If the Company together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company can exercise significant influence over an investee, the investee is an associate of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Long-term equity investments (Continued)

2. Determination of initial investment cost

- (1) Long-term equity investments acquired through business combination

For business combinations involving entities under common control: where the Company pays cash, transfers non-cash assets, bear debts or issue equity securities as consideration of combinations, the initial investment cost of long-term equity investments are its share of the book value of the shareholders' equity of the acquiree in the financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of the carrying amount of the net assets of the combined party in the consolidated financial statement of the ultimate controlling party after the combination. The difference between initial investment cost of long-term equity investment the date of combination and the sum of the carrying value of long-term equity investment before combination and the carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XIV) Long-term equity investments (Continued)******2. Determination of initial investment cost (Continued)***

- (1) Long-term equity investments acquired through business combination (Continued)

Business combinations involving entities not under common control: the cost of the combination determined on the date of acquisition shall be taken as the initial investment cost of the long-term equity investment. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

- (2) Long-term equity investments acquired by other means

The initial investment cost of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid.

The initial investment cost of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Long-term equity investments (Continued)

2. Determination of initial investment cost (Continued)

- (2) Long-term equity investments acquired by other means *(Continued)*

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the initial investment cost of a long-term equity investment acquired through the non-monetary assets transaction, shall be determined on the basis of the fair value of the assets surrendered and the related tax payable, unless there is concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the initial investment cost of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable.

For the long-term equity investment acquired by the Company through debt restructurings, its book value is determined based on the fair value of the creditor's rights waived and the taxes that can be directly attributable to the asset and other costs, and the balance between the fair value and book value of the creditor's rights waived is included in current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XIV) Long-term equity investments (Continued)***

3. *Subsequent measurement and recognition of profit or loss*

(1) Long-term equity investment accounted for by cost method

Long-term equity investment in a subsidiary is accounted for by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognized as the Company' share of the cash dividends or profits declared by the investee.

(2) Long-term equity investment accounted for by equity method

Long-term equity investments in associates and jointly controlled entities are accounted for using equity method. Where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Long-term equity investments (Continued)

3. *Subsequent measurement and recognition of profit or loss (Continued)*

(2) Long-term equity investment accounted for by equity method (Continued)

The Company recognizes the investment income and other comprehensive income according to its shares of net profit or loss and other comprehensive income realized by the investee respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments. The carrying value of long term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distribution of the investee, the carrying value of long-term equity investment shall be adjusted and included in owner's equity.

The Company's share of net profit or loss of an investee is determined based on the fair value of identifiable net assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Company, adjustment shall be made to the net profit of the investee. During the period of holding investments, if the investee prepares its consolidated financial statements, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner's equity in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XIV) Long-term equity investments (Continued)***

3. *Subsequent measurement and recognition of profit or loss (Continued)*
 - (2) Long-term equity investment accounted for by equity method (Continued)

The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized. For asset injection or disposal between the Company and any of its associates or joint ventures, if the asset constitutes a business, such transaction shall be dealt with in accordance with Note III(V) "Accounting method for business combination involving enterprises under common control and not under common control" and Note III(VI) "Preparation of consolidated financial statements".

In recognition of its share of losses of an investee, the Company deal with it in the following order: Firstly, the Company will write off the carrying value of long-term equity investment. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying value of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by the Company according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and included in the investment loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Long-term equity investments (Continued)

3. Subsequent measurement and recognition of profit or loss (Continued)

(3) Disposal of long-term equity investments

For disposal of a long-term equity investment, the difference between the book value and the consideration actually received shall be included in current profit or loss.

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XIV) Long-term equity investments (Continued)*****3. *Subsequent measurement and recognition of profit or loss (Continued)*****(3) Disposal of long-term equity investments (Continued)**

When the Group loses the control or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equity which is recognized due to changes of owner's equity other than net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Long-term equity investments (Continued)

3. Subsequent measurement and recognition of profit or loss (Continued)

(3) Disposal of long-term equity investments (Continued)

When the Group loses the control over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest after disposal shall be accounted for under equity method in preparation of separate financial statements provided that joint control or material influence over the investee can be imposed and shall be adjusted as if such remaining equity interest had been accounted for under the equity method since being obtained. Where the remaining equity interest after disposal cannot exercise joint control or exert material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in current profit or loss.

The disposed equity interest was acquired in a business combination as resulted from making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity which are recognized because the equity investment held on the acquisition date is accounted for using equity method shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standards of financial instruments, other comprehensive income and other owners' equity shall be fully carried forward.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Investment properties***

Investment properties are those held to earn rentals or for capital appreciation or both, including leased land use rights, land use rights held for sale after appreciation, and leased buildings (including self-owned buildings constructed or developed for the purpose of leasing and those that are under construction or development for the purpose of leasing in future).

For the investment properties subsequently measured at fair value, no provision will be made for depreciation or no amortization will be made, and their carrying value will be adjusted based on the fair value of investment properties as at the balance sheet date with the balance between the fair value and original carrying value included in current profit or loss.

The basis for the Company to select fair value measurement:

- (1) there are active real estate markets in the places where the investment properties are located; and
- (2) the enterprise is able to obtain the market price and other relevant information of the same or similar properties from the real estate market, thereby making scientific and reasonable estimates on the fair value of investment properties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVI) Fixed assets

1. Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and have a useful life of more than one accounting year. A fixed asset is recognized when it meets the following conditions:

- (1) it is probable that the economic benefits associated with the fixed asset will flow to the enterprise; and
- (2) its cost can be reliably measured.

2. Methods for depreciation

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where different components of a fixed asset have different useful lives or generate economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XVI) Fixed assets (Continued)****2. Methods for depreciation (Continued)*

For a fixed asset leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, such asset will be depreciated over its remaining useful life; if it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, such asset will be depreciated over the shorter of the lease term and its remaining useful life. (Accounting policies applicable before 1 January 2019)

The depreciation method, useful life of depreciation, residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Useful life <i>(years)</i>	Residual value rate <i>(%)</i>	Annual depreciation rate <i>(%)</i>
Buildings and structures	Straight-line method	10–30	3	3.23–9.70
Machinery and equipment	Straight-line method	18	3	5.40
Electronic equipment	Straight-line method	15	3	6.50
Office equipment	Straight-line method	5	3	19.40
Transportation tools	Straight-line method	5	3	19.40
Specialized glass equipment	Straight-line method	6	3	16.20

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVI) Fixed assets (Continued)

3. *Recognition and measurement of fixed assets under finance lease (accounting policies applicable before 1 January 2019)*

Where any one of the following conditions is provided in the lease agreement between the Company and the lessor, assets under finance lease will be recognized:

- (1) upon the expiry of lease, the ownership of the leased asset will be transferred to the Company;
- (2) the Company has the option to purchase the leased asset at a price that is expected to be far less than the fair value of the leased asset at the exercise of the option;
- (3) the lease term accounts for the majority of the useful life of the leased asset;
- (4) the present value of the minimum lease payment at the inception of the lease is substantially the same as the fair value of the leased asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XVI) Fixed assets (Continued)***

3. *Recognition and measurement of fixed assets under finance lease (accounting policies applicable before 1 January 2019) (Continued)*

At inception of the lease, the leased asset shall be stated at the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognized finance charge.

Please refer to the note III(XXIX) for the details of accounting policy for fixed assets under finance lease applicable after January 1, 2019.

(XVII) Construction in progress

Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs refer to borrowing interest, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit or loss in the period in which they are incurred.

Qualifying assets include fixed assets, investment property and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XVIII) Borrowing costs (Continued)***

1. *Criteria for recognition of capitalised borrowing costs (Continued)*

Capitalisation of borrowing costs begins when the following three conditions are fully satisfied:

- (1) expenditures for the assets (including cash paid, non-currency assets transferred or interest-bearing liabilities assumed for the acquisition, construction or production of qualifying assets) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Borrowing costs (Continued)

2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalisation of borrowing costs, excluding the period in which capitalisation of borrowing costs is temporarily suspended.

Capitalisation of borrowing costs shall cease when the qualifying asset under acquisition and construction or production gets ready for intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalisation of borrowing costs should cease.

If different parts of the asset acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XVIII) Borrowing costs (Continued)******3. Suspension of capitalisation period***

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period of interruption shall be recognized in current profit or loss. When the acquisition and construction or production of the asset resumes, the capitalisation of borrowing costs commences.

4. Calculation of capitalisation rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of qualifying assets, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

General borrowings for the acquisition, construction or production of qualifying assets, the to-be-capitalized amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalisation rate of the general borrowing used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of general borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Intangible assets

1. Measurement of intangible assets

- (1) Intangible assets are initially measured at cost upon acquisition;

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to bringing the asset ready for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible asset shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of the creditor' rights waived thereunder and other costs including the taxes directly attributable to bringing the asset ready for its intended use, and the difference between the fair value and the carrying amount of creditor' right waived thereunder should be included in current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XIX) Intangible assets (Continued)******1. Measurement of intangible assets (Continued)***

- (1) Intangible assets are initially measured at cost upon acquisition; (Continued)

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there is concrete evidence that the fair value of the assets received is more reliable. For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and no gain or loss will be recognized.

- (2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition.

As for intangible assets with a finite useful life, they are amortized using the straight-line method over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortized.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Intangible assets (Continued)

- 2. Determination basis of intangible assets with indefinite useful life and procedures for review of the useful life thereof*

For intangible assets with indefinite useful life, basis for the determination of indefinite useful life and the procedures for review of the useful life thereof shall be disclosed.

- 3. Specific criteria for the division of research phase and development phase*

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or substantially improved materials, devices, products, etc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XIX) Intangible assets (Continued)******4. Specific criteria for capitalisation at development phase***

Expenses incurred in the development phase are recognized as intangible assets if the following conditions are fulfilled:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale;
- (2) the intention to complete the intangible asset for use or for sale;
- (3) the ways in which the intangible asset generate economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market, or it the intangible asset is for internal use, there is evidence that proves its usefulness;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Intangible assets (Continued)

4. *Specific criteria for capitalisation at development phase (Continued)*

- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditures attributable to the development phase of the intangible asset could be reliably measured.

Expenditure in the development phase, if it does not meet the conditions listed above, is charged to profit or loss when incurred. Expenditure in the research phase is included in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XX) Impairment of long-term assets***

Long-term assets, such as long-term equity investment, investment properties, fixed assets, construction in progress, right-of-use assets, and intangible assets with finite useful life measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized 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 the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment tests for goodwill and intangible assets with indefinite useful life shall be carried out at least at the end of each year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Impairment of long-term assets (Continued)

When the Company performs impairment test on goodwill, the Company shall, as of the purchase day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset group, or if there is a difficulty in allocation, to allocate it to the set of asset groups. When the carrying value of goodwill is allocated to the related asset group or sets of asset group, the allocation shall be made based on the proportion of the fair value of each asset group or set of asset groups to the total fair value of the relevant assets group or set of asset group. If there is difficulty for the fair value to be reliably measured, the allocation shall be made based on the proportion of the carrying value of each asset group or set of asset groups to the total carrying value of the relevant asset groups or set of asset groups.

For the purpose of impairment test on the relevant asset group or the set of asset groups containing goodwill, if any evidence shows that the impairment of asset group or set of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset group or set of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or set of asset groups containing goodwill, and compare the carrying value of the asset groups or set of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets group or set of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

Once the above asset impairment loss is recognized, it will not be reversed in subsequent accounting periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXI) Long-term deferred expenses***

The long-term deferred expenses of the Company are measured at cost and amortized equally over the expected benefit periods. For long-term deferred expenses that will not benefit the future accounting periods, upon determination their amortized value shall be included in current profit or loss.

(XXII) Contract liabilities***1. Recognition method of contract liabilities***

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The obligation to transfer goods or render services to a customer for which the Group has received or has right to receive consideration from the customer is presented as contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Employee benefits

1. Accounting treatment of short-term benefits

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognized as liabilities and charged to profit or loss or cost of relevant assets.

With regard to contributions to social insurance schemes and housing provident funds and provision for labour union expenses and employee education expenses as required by regulations, the Company should calculate and recognize the corresponding employee benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements in the accounting period in which employees provide service.

Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXIII) Employee benefits (Continued)******2. Accounting treatment of post-employment benefits******(1) Defined contribution scheme***

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Employee benefits (Continued)

2. Accounting treatment of post-employment benefits (Continued)

(2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profit or loss or costs of relevant assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognized as net liabilities or net assets. When the defined benefit scheme has surplus, the Company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, are discounted based on the market yield of government bonds matching the term and currency of defined benefit plan obligations or corporate bonds of high quality in the active market on the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXIII) Employee benefits (Continued)*****2. *Accounting treatment of post-employment benefits (Continued)*****(2) Defined benefit scheme (Continued)**

The service cost incurred by the defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged to current profit or loss or relevant costs of assets. The changes arising from the re-measurement of the net liabilities or net assets of the defined benefit scheme would be included in other comprehensive income and are not reversed to profit or loss in a subsequent accounting period; when the previously defined benefits plan is terminated, such amount included in other comprehensive income shall be transferred to undistributed profit.

When the defined benefit scheme is settled, the gain or loss is recognized based on the difference between the present value of obligations under the defined benefit scheme and the settlement price at the balance sheet date.

For details, please refer to “V. (XXV) Employee benefits payable” in these notes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Employee benefits (Continued)

3. Accounting treatment of termination benefits

The Company recognizes employee benefits liabilities arising from termination benefits and recorded in profit or loss when it cannot unilaterally withdraw the offer of termination benefits resulting from the employment termination plan or the proposed layoff, or when it recognizes costs or expenses for restructuring involving the payment of termination benefits (whichever is earlier).

4. Accounting treatment of other long-term employee benefits

Other long-term benefits provided by the Company to the employees, when meeting the conditions under the defined contribution scheme, will be accounted for in accordance with the requirements of the defined contribution scheme. Apart from the above, net liabilities or net assets shall be recognized and measured for other long-term employee benefits in accordance with relevant provisions of the defined benefit scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXIV) Estimated liabilities******1. Recognition criteria of estimated liabilities***

The Company shall recognize an obligation related to contingency involving litigation, debt guarantee, loss-making contract or restructuring as an estimated liability, when all of the following conditions are satisfied:

- (1) such obligation is the present obligation of the Company;
- (2) the performance of such obligation is likely to lead to an outflow of economic benefits out of the Company; and
- (3) the amount of such obligation can be reliably measured.

2. Measurement methods for various estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenditure required for the performance of relevant present obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) *Estimated liabilities (Continued)*

2. *Measurement methods for various estimated liabilities (Continued)*

The Company shall take into consideration the risks, uncertainties, time value of money and other factors relating to the contingencies in determining the best estimate. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

When all or part of the expenditures necessary for the settlement of an estimated liability of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the carrying amount of estimated liabilities.

(XXV) *Revenue*

Accounting policies adopted for revenue recognition and measurement

When the Company has implemented the performance obligation in the contract, namely, when the customer obtains the right to control relevant goods, revenues will be recognized as per transaction prices allocated to such performance obligation. Obtaining the right to control relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. Performance obligation represents the Company's commitment to transfer distinct goods to the customer in the contract. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXV) Revenue (Continued)***

Accounting policies adopted for revenue recognition and measurement (Continued)

The Company should recognize revenue when the customer acquires control of relevant goods after the contract between the Company and the customer meeting the following conditions:

1. Parties to the contracts have approved such contract and committed that they would perform their respective obligations;
2. the contracts specified the rights and obligations of all parties on the goods transferred or services provided (hereafter referred to as “goods transferred”);
3. the contracts have clear payment terms on the goods transferred;
4. the contracts are of commercial nature, namely that the performance of the contracts will change of risks, time or amount of the future cash flows of the Company; and
5. the consideration the Company is entitled to from the transfer of goods to the customer is likely to be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXV) Revenue (Continued)

Accounting policies adopted for revenue recognition and measurement (Continued)

Obligation in the contract at a point in time:

Sales are recognized as revenue when the goods have been shipped to specific locations agreed in sales contracts and both parties sign delivery sheets or confirm the delivery of goods (or delivery of bill of lading in case of delivery by the customer according to the contracts) upon the execution of sales contracts.

Obligation in the contract over time:

The Company is capable of making reliable estimates over the transaction's stage of completion and outcome at the balance sheet date. Besides, where the costs of the transaction incurred and to be incurred can be measured reliably, revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at the proportion of costs incurred to the estimated total costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVI) Contract cost***

Contract cost includes contract performance cost and contract acquisition cost.

The cost incurred by the Company for the performance of the contract shall be recognized as an asset when the following conditions are met:

1. The cost is directly related to a current or anticipated contract.
2. The cost increases the resources of the Company to fulfill its performance obligations in the future.
3. The cost is expected to be recovered.

If the incremental cost incurred by the Company in obtaining the contract can be expected to be recovered, the contract acquisition cost shall be recognized as an asset.

Assets related to contract costs are amortized on the same basis as revenue recognition of the goods or services related to the asset; however, if the amortization period of the contract acquisition cost is less than one year, the Company will record it into the current profit or loss when it incurs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVI) Contract cost (Continued)

If the book value of the asset related to the contract cost is higher than the difference between the following two items, the Company will make impairment provision for the excess portion and recognize it as asset impairment loss:

1. Residual consideration expected to be obtained by the transfer of goods or services related to the asset;
2. The cost expected to be incurred for the transfer of the relevant goods or services.

If the impairment provision of the aforesaid asset is subsequently reversed, the book value of the reversed asset shall not exceed the book value of the asset on the date of the reverse assuming no provision for impairment is made.

(XXVII) Government grants

1. Types

Government grants are monetary assets or non-monetary assets obtained by the Company from the government for free, and are divided into government grants related to assets and government grants related to income.

Government grants related to assets are those obtained by the Company for the purposes of acquisition, construction or other project that forms a long-term asset. Government grants related to income refer to the government grants other than those related to assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXVII) Government grants (Continued)******2. Timing for recognition***

No government grants shall be recognized unless the following conditions are met simultaneously as follows:

- (I) the enterprise can meet the conditions attached to the government grants; and
- (II) the enterprise can obtain the government grants.

3. Accounting treatment

Asset-related government grant shall be used to offset the carrying amount of relevant asset or recognized as deferred income. The amount recognized as deferred income shall be recorded in current profit or loss by installments in a reasonable and systematic way over the useful life of the relevant assets (the government grants related to the Company's daily activities shall be included in other income; and the government grants unrelated to the Company's daily activities shall be included in non-operating income).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Government grants (Continued)

3. Accounting treatment (Continued)

Government grants related to income that are used to compensate relevant costs or losses of the Company in subsequent periods are recognized as deferred income and recorded in current profit or loss when such costs and losses are recognized (government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses; and the grants used to compensate relevant costs or losses that have incurred by the Company are recorded directly in current profit or loss (government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses.

The interest subsidies for policy-related preferential loans obtained by the Company are divided into two types and subject to accounting treatment separately:

- (1) Where the interest subsidies are appropriated from the fiscal funds to the lending bank and then the bank provides loans to Company at a policy-based preferential interest rate, the Company will recognize the amount of borrowings received as the initial value and calculate the borrowing costs according to the principal amount and the policy-based preferential interest rate.
- (2) Where the interest subsidies are paid directly to the Company, the Company will use such interest subsidies to offset the corresponding borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVIII) Deferred tax assets/deferred tax liabilities***

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save for exceptions, deferred income tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

When the Group has a legally enforceable right to set-off and intends either to settle on a net basis or to acquire the income tax asset and settle the income tax liability simultaneously, current income tax assets and current income tax liabilities shall be presented as the net amount after offsetting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Deferred tax assets/deferred tax liabilities (Continued)

When the Group has the legal right to set off current income tax assets and current income tax liabilities on a net basis, such deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax authority, or related to different entities liable to pay tax but the relevant entities intend to settle on a net basis or to acquire the income tax assets and settle the income tax liabilities simultaneously in the future period in which significant deferred income tax assets and liabilities would be reversed, deferred income tax assets and liabilities shall be presented as the net amount after offsetting.

(XXIX) Lease

Accounting policies applicable from 1 January 2019

1. Accounting treatment of assets leased in

At the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases (excluding short-term leases and leases of low-value assets), and recognizes depreciation and interest expenses separately.

Short-term leases and leases of low-value assets are included in the current expenses by the Company on a straight-line basis over the respective lease terms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXIX) Lease (Continued)******1. Accounting treatment of assets leased in (Continued)*****(1) Right-of-use assets**

Right-of-use assets represent the lessee's right to use the leased asset for the lease term. At the commencement date of lease term, right-of-use assets are measured initially at cost. Such cost comprises:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive);
- initial direct costs incurred by the lessee;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Lease (Continued)

1. Accounting treatment of assets leased in (Continued)

(1) Right-of-use assets (Continued)

- an estimate of costs to be incurred by the lessee in dismantling and removing the leased assets, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease. The Company recognizes and measures the costs by using recognition criteria and measurement methods of estimated liabilities (please refer to note “III. (XXIV) Estimated liabilities” for details). Such costs are incurred to produce inventories and included in the costs of inventory.

Right-of-use assets are depreciated by categories using the straight-line method and the book value of the leased right-of-use assets are decreased progressively. If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation rates are determined by reference to categories of right-of-use assets and estimated residual value rates over the estimated remaining useful life of leased asset; if there is no reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation rates are determined by reference to categories of right-of-use assets over the shorter of the lease term and the estimated remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXIX) Lease (Continued)****1. Accounting treatment of assets leased in (Continued)**(2) Lease liabilities*

Lease liabilities are initially measured based on the present value of outstanding lease payment at the inception of the lease. Lease payment include:

- fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive);
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under the guaranteed residual value provided by the lessee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease option, if the lease term reflects that the lessee will exercise that option.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Lease (Continued)

1. Accounting treatment of assets leased in (Continued)

(2) Lease liabilities (Continued)

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined, the Company's incremental borrowing rate is used.

The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into financial expenses. The periodic interest rate refers to the discount rate adopted by the Company or the revised discount rate.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

When the Company's evaluation results on extension, termination or purchase options change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and revised discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly. When the in-substance leased payments, amounts expected to be payable under the guaranteed residual value and the variable lease payments that depend on an index or a rate change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and original discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXIX) Lease (Continued)*****2. Accounting treatment of assets leased out****(1) Accounting treatment of operating leases**

The Company recognizes the lease payments derived from operating leases as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the whole lease term.

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial measurement of the finance lease receivables, and the amount of the income recognized during the lease term shall be reduced.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Lease (Continued)

Accounting policies applicable prior to 1 January 2019

1. Accounting treatment of operating leases

- (1) Lease fees paid by the Company for leased asset shall be amortized at straight line method over the whole lease period (including rent-free period) and will be included in the current expenses. Initial direct costs relating to lease transactions paid by the Company shall be included in the current expenses.

If the expense related to the lease which shall be paid by the Company is assumed by the lessor of the asset, then such expenses shall be deducted from total lease fees, and the balances shall be amortized over the lease term s and charged to the current expenses.

- (2) The Company's rental expenses collected for leased assets shall, within the whole lease term including the rent-free period, be amortized with the straight-line method and recognized as relevant rental income. Initial direct costs related to lease transactions paid by the Company are included in current expenses; in case of a large amount, such costs shall be capitalized and then included in the current revenue by stages at the same base as the recognition of rental income over the whole lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXIX) Lease (Continued)******1. Accounting treatment of operating leases (Continued)******(2) (Continued)***

When the Company bears costs related to the lease borne by the lessee, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term.

2. Accounting treatment of financing leases

- (1)** Assets acquired under financing leases: At the commencement of the lease term, the company will use the lower of the fair value of the leased assets and the present value of the minimum lease payments as the book value of the leased assets, and the minimum lease payments as the book value of the long-term payables. The difference between the book value of the leased assets and the long-term payables is recorded as the unrecognized financing fee. The Company adopts effective interest rate method to amortize unrecognized financing expenses over the lease period of the asset and includes them into financial expenses. The initial direct costs incurred by the company are included in the value of the leased asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Lease (Continued)

2. Accounting treatment of financing leases (Continued)

- (2) Assets leased out under financing leases: At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial measurement of the finance lease receivables, and the amount of the income recognized during the lease term shall be reduced.

(XXX) Discontinued operation

Discontinued operation refers to a component that meet one of the following condition and can be distinguished separately and has been disposed of or classified by the Group as held for sale:

- (1) represents an separate major line of business or geographical area of operation;
- (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (3) is a subsidiary acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXXI) Changes in significant accounting policies and accounting estimates******1. Changes in significant accounting policies***

- (1) Implementation of Accounting Standards for Business Enterprises No. 21 – Leases (Revised in 2018)

The Ministry of Finance revised the Accounting Standards for Business Enterprises No. 21 – Leases in 2018. The revised standards were implemented from 1 January 2019. Pursuant to the requirements of the standards, for operating lease existed prior to the the date of initial application, the simplified treatment shall be adopted for each lease. No adjustment is required for comparative information in the financial statements for the previous period if they are not in line with revised standards.

- (2) Implementation of Accounting Standards for Business Enterprises No. 7 – Non-monetary assets exchange (Revised in 2019)

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 7 – Non-monetary assets exchange (revised in 2019) (Cai Kuai [2019] No. 8) on 9 May 2019. The revised standards were implemented from 10 June 2019. An adjustment shall be made in compliance with the standards for the exchange of non-monetary assets conducted between 1 January 2019 and the date of initial application of the standards. While no retrospective adjustment under the standards is required for the exchange of non-monetary assets conducted before 1 January 2019. There was no material impact on the Company from implementation of the abovementioned standards during the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Changes in significant accounting policies and accounting estimates (Continued)

1. Changes in significant accounting policies (Continued)

- (3) Implementation of Accounting Standards for Business Enterprises No. 12 – Debt restructuring (Revised in 2019)

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 12 – Debt restructuring (revised in 2019) (Cai Kuai [2019] No. 9) on 16 May 2019. The revised standards were implemented from 17 June 2019. An adjustment shall be made in compliance with the standards for the debt restructuring conducted between 1 January 2019 and the date of initial application of the standards. While no retrospective adjustment under the standards is required for the debt restructuring conducted before 1 January 2019. There was no material impact on the Company from implementation of the abovementioned standards during the Reporting Period.

- (4) Implementation of the Notice of the Ministry of Finance on Amendment and Issuance of the 2019 Format of Financial Statements of General Enterprises

The Notice on Amendment and Issuance of the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6) was issued by the Ministry of Finance on 30 April 2019, which includes amendments to the format of financial statements for general enterprises. The major impacts on the Company from implementation of the abovementioned requirements are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Changes in significant accounting policies and accounting estimates (Continued)****1. Changes in significant accounting policies (Continued)*

(4) (Continued)

Contents of the changes in**accounting policies and reasons
therefor****Approval
procedure****Name and amount of line items affected**

(1) Bills receivable and accounts receivable" in the balance sheet are split into "bills receivable" and "accounts receivable" for presentation; "bills payables and accounts payables" are split into "bills payables" and "accounts payables" for presentation. Corresponding adjustments are made to comparative figures.	Approval by the Board	<p>"Bills receivable and accounts receivable" were split into "bills receivable" and "accounts receivable". The amounts of "bills receivable" for the period and the previous period were RMB107,450,883.04 and RMB339,322,789.73, respectively. The amounts of "accounts receivable" for the period and the previous period were RMB721,756,594.55 and RMB666,021,403.75, respectively;</p> <p>"Bills payables and accounts payables" were split into "bills payables" and "accounts payables". The amounts of "bills payables" for the period and the previous period were RMB547,331,168.64 and RMB490,689,505.29, respectively. The amounts of "accounts payables" for the period and the previous period were RMB998,824,511.23 and RMB889,384,282.44, respectively;</p>
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Changes in significant accounting policies and accounting estimates (Continued)

1. Changes in significant accounting policies (Continued)

(4) (Continued)

Contents of the changes in

accounting policies and reasons
therefor

Approval
procedure

Name and amount of line items affected

(2) "Right-of-use assets" and "lease liabilities" presented in the balance sheet. For operating lease existed prior to the date of initial application, the simplified treatment shall be adopted for each lease.	Approval by the Board	The opening balances of "right-of-use assets" and "lease liabilities" at the beginning of this year were RMB3,811,013.42 and RMB3,811,013.42, respectively;
(3) Bills receivable and accounts receivable measured at fair value through other comprehensive income are reclassified into "receivables financing" from "bills receivable" for presentation. Corresponding adjustments are made to comparative figures.	Approval of the Board	The "receivables financing" for the year was increased by RMB283,052,731.03;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Changes in significant accounting policies and accounting estimates (Continued)****1. Changes in significant accounting policies (Continued)*

(4) (Continued)

Contents of the changes in**accounting policies and reasons
therefor****Approval
procedure****Name and amount of line items affected**

(4) The item "Including: Gain from derecognition of financial assets at the amortized cost" is added under the investment income of the income statement. Corresponding adjustments are made to comparative figures.	Approval by the Board	The investment income for the year and previous year were increased by RMB-1,908,103.12 and RMB-1,300,446.72, respectively.
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In addition, adjustment was made to the items of "impairment losses on assets" as follows:

Items presented under the previous financial statements for January to June 2018 and the amount thereof	Items presented under the new financial statements for January to June 2018 and the amount thereof
Impairment losses on assets	695,722.81
	Impairment losses on assets (Loss is represented by "-")
	-695,722.81

2. Changes in significant accounting estimates

None.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(XXXI) Changes in significant accounting policies and accounting estimates (Continued)**

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards*

CONSOLIDATED BALANCE SHEET

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Current Assets:			
Cash at bank and on hand	260,546,684.16	260,546,684.16	
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets	679,095.34	679,095.34	
Derivative financial assets			
Bills receivables	339,322,789.73	56,270,058.70	-283,052,731.03
Accounts receivables	666,021,403.75	666,021,403.75	
Receivables financing		283,052,731.03	283,052,731.03
Prepayments	63,045,789.85	63,045,789.85	
Premium receivable			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Changes in significant accounting policies and accounting estimates (Continued)***

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	249,397,827.25	249,397,827.25	
Financial assets acquired for resale			
Inventories	166,308,583.08	166,308,583.08	
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	85,627,181.99	85,627,181.99	
Total current assets	<u>1,830,949,355.15</u>	<u>1,830,949,355.15</u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(XXXI) Changes in significant accounting policies and accounting estimates (Continued)**

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	179,326,419.17	179,326,419.17	
Other investments in equity instruments	250,009,608.42	250,009,608.42	
Other non-current financial assets			
Investment properties			
Fixed assets	1,502,164,833.71	1,502,164,833.71	
Construction in progress	772,497,652.24	772,497,652.24	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Changes in significant accounting policies and accounting estimates (Continued)***

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Productive biological assets			
Oil and gas assets			
Right-of-use assets	N/A	3,811,013.42	3,811,013.42
Intangible assets	264,864,756.84	264,864,756.84	
Development expenditures			
Goodwill	38,544,327.69	38,544,327.69	
Long-term deferred expenses	19,689,300.10	19,689,300.10	
Deferred tax assets	861,194.97	861,194.97	
Other non-current assets	11,869,754.47	11,869,754.47	
Total non-current assets	<u>3,039,827,847.61</u>	<u>3,043,638,861.03</u>	<u>3,811,013.42</u>
Total assets	<u>4,870,777,202.76</u>	<u>4,874,588,216.18</u>	<u>3,811,013.42</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Changes in significant accounting policies and accounting estimates (Continued)***

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Current liabilities:			
Short-term borrowings	434,252,466.63	434,252,466.63	
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	490,689,505.29	490,689,505.29	
Accounts payables	889,384,282.44	889,384,282.44	
Receipts in advance			
Financial assets sold under repurchase agreement			
Deposits taking and interbank deposit			
Brokerage for trading securities			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Changes in significant accounting policies and accounting estimates (Continued)***

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Brokerage for underwriting securities			
Employee benefits payable	42,518,480.81	42,518,480.81	
Taxes payable	22,195,570.97	22,195,570.97	
Other payables	1,539,489,454.26	1,539,489,454.26	
Handling fee and commission payable			
Reinsurance accounts payables			
Contract liabilities	50,535,500.53	50,535,500.53	
Held-for-sale liabilities			
Non-current liabilities due within one year	497,519,566.90	497,519,566.90	
Other current liabilities			
Total current liabilities	3,966,584,827.83	3,966,584,827.83	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(XXXI) Changes in significant accounting policies and accounting estimates (Continued)**

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	595,375,744.44	595,375,744.44	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	N/A	3,811,013.42	3,811,013.42
Long-term payables	7,000,000.00	7,000,000.00	
Long-term employee benefits payable	10,856,171.40	10,856,171.40	
Estimated liabilities			
Deferred income	76,512,512.01	76,512,512.01	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Changes in significant accounting policies and accounting estimates (Continued)***

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Deferred tax liabilities	664,907.28	664,907.28	
Other non-current liabilities			
Total non-current liabilities	690,409,335.13	694,220,348.55	3,811,013.42
Total Liabilities	4,656,994,162.96	4,660,805,176.38	3,811,013.42
Equity attributable to the owners:			
Share capital	2,232,349,400.00	2,232,349,400.00	
Other equity instruments			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Changes in significant accounting policies and accounting estimates (Continued)

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Including: Preference shares			
Perpetual bonds			
Capital reserve	943,531,444.10	943,531,444.10	
Less: Treasury shares			
Other comprehensive income	-233,080,783.78	-233,080,783.78	
Specialised reserve			
Surplus reserve	22,477,267.06	22,477,267.06	
General risk reserves			
Undistributed profit	<u>-2,872,034,688.32</u>	<u>-2,872,034,688.32</u>	
Total equity attributable to owners of the Company	<u>93,242,639.06</u>	<u>93,242,639.06</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Changes in significant accounting policies and accounting estimates (Continued)***

3. *Adjustment to relevant items of the financial statements at the beginning of the year for the first implementation of the new lease standards (Continued)*

CONSOLIDATED BALANCE SHEET (Continued)

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Minority interests	120,540,400.74	120,540,400.74	
Total equity attributable to the owners	213,783,039.80	213,783,039.80	
Total liabilities and equity attributable to the owners	4,870,777,202.76	4,874,588,216.18	3,811,013.42

Explanation for the adjustments:

“Right-of-use assets” and “lease liabilities” are the adjustments made for implementation of the new standards. “Bills receivables” and “receivables financing” are the adjustments made for implementation of the Notice on Amendment and Issuance of the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6).

The above adjustments are the impacts arising from implementation of the new lease standards.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

IV. TAXATION**(I) Major tax categories and tax rates**

Tax categories	Tax basis	Rate
Value-added tax ("VAT")	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	17%, 16%, 13%, 6%, 5%
Urban maintenance and construction tax	Based on the VAT and consumption taxes paid	7%, 5%
Enterprise income tax	Based on taxable profits	25%, 15%
Hong Kong profits tax	Based on taxable profits	8.25%-16.5%

Companies subject to different income tax rates are disclosed as follows:

Taxpayer	Income tax rate
IRICO Group Electronics (Hong Kong) Company Limited	The profit tax rate is 8.25% for profit not more than RMB2 million or 16.5% for the portion exceeding RMB2 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***IV. TAXATION (CONTINUED)****(II) Preferential tax treatment**

1. Pursuant to the “Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy” (Cai Shui [2011] No. 58) (《關於深入實施西部大開發戰略有關稅收政策問題的通知》(財稅[2011]58 號)), as the Company and its subsidiary Shaanxi IRICO New Material Co., Ltd* (the “Shaanxi New Materials”) pertains to enterprises engaged in the industries encouraged by the government in the western region, they are entitled to relevant western development preferential policies upon filing with the tax branch directly under the Xianyang Municipal Office, SAT, and therefore enjoys the preferential EIT rate of 15% for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

IV. TAXATION (CONTINUED)

(II) Preferential tax treatment (Continued)

2. As the income from power generation of Nanjing IRICO New Energy Co., Ltd.* (the “Nanjing New Energy”) and IRICO (Hefei) Photovoltaic Co., Ltd.* (the “Hefei Photovoltaic”), the subsidiaries of the Company, applies to preferential policy of three years’ exemption from EIT followed by three years of 50% tax reduction. As stipulated under Clause 88 of the “Implementation Rules of the Enterprise Income Tax Law of the People’s Republic of China (No.512 Decree of the State Council of the People’s Republic of China)” (《中華人民共和國企業所得稅法實施條例》(中華人民共和國國務院令第512號)), qualified environmental protection, energy and water saving projects mentioned in Article 27(3) of the Enterprise Income Tax Law include public sewage treatment, public refuse disposal, comprehensive development and utilization of biogas, technological upgrade of energy saving and remission reduction, seawater desalination, etc. Enterprises engaged in the abovementioned qualified environmental protection, energy and water conservation projects, shall be exempted from entire EIT on income derived therefrom for the first to third years, and entitled to a 50% tax reduction from the fourth to sixth years, commencing from the assessable year during which relevant projects start to generate manufacturing or operating revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***IV. TAXATION (CONTINUED)****(II) Preferential tax treatment (Continued)**

3. Jiangsu IRICO Yongneng New Energy Company Limited* (the “Jiangsu Yongneng”), a subsidiary of the Company was accredited as a High and New Technology Enterprise (Certificate No. GR201832005221) as approved by the Science and Technology Department of Jiangsu Province, the Department of Finance of Jiangsu Province, Jiangsu Tax Service, SAT and Jiangsu Local Tax Bureau on 30 November 2018, and has been entitled to a 15% preferential tax treatment for EIT.

4. Hefei Photovoltaic, a subsidiary of the Company was accredited as a High and New Technology Enterprise (Certificate No. CR201834000268) as approved by the Science and Technology Department of Anhui Province, Anhui Provincial Department of Finance and Anhui Provincial Tax Service, State Taxation Administration on 24 July 2018, and has been entitled to a 15% preferential tax treatment for EIT. It did not enjoy preferential tax treatment in the preceding year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS****(I) Monetary funds**

Item	Closing balance	Balance at the end of last year
Cash on hand	8,273.58	96,441.84
Bank deposit	62,503,033.43	86,106,507.12
Other monetary funds	191,608,768.59	174,343,735.20
 Total	 254,120,075.60	 260,546,684.16
 Of which: Total deposits in overseas banks	 18,193.08	 18,120.69

Restricted monetary funds are as follows:

Item	Closing balance	Balance at the end of last year
Security deposit for bank acceptance bills	191,608,768.59	173,834,538.55
Security deposit for letter of credit		500,000.00
Frozen deposit		3,643,523.89
 Total	 191,608,768.59	 177,978,062.44

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(II) Held-for-trading financial assets**

Item	Closing balance	Balance at the end of last year
Financial assets measured at fair value through profit and loss	112,875.58	679,095.34
Including: investment in equity instruments	112,875.58	679,095.34
 Total	 112,875.58	 679,095.34

(III) Bills receivable*1. Bills receivables by category*

Item	Closing balance	Balance at the end of last year
Bank acceptance bills		283,052,731.03
Commercial acceptance bills	107,450,883.04	56,270,058.70
 Total	 107,450,883.04	 339,322,789.73

2. No bills receivable pledged by the Company at the end of the period

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable***1. Accounts receivable by aging*

Aging	Closing balance	Opening balance
Within 1 year		
Including: 0-6 months (inclusive)	600,899,974.69	565,433,028.78
7-12 months (inclusive)	73,048,840.53	80,411,320.42
Subtotal of within 1 year	673,948,815.22	645,844,349.2
1-2 years (inclusive)	40,280,309.14	15,503,186.07
2-3 years (inclusive)	15,853,556.01	20,972,753.16
Over 3 years	35,492,147.57	26,144,065.25
Total original value of accounts receivable	765,574,827.94	708,464,353.68
Less: provision for bad debts	43,818,233.39	42,442,949.93
Total net value of accounts receivable	721,756,594.55	666,021,403.75

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(IV) Accounts receivable (Continued)****2. Accounts receivable disclosed according to provision for bad debts**

Item	Book balance		Closing balance		Carrying amount	Book balance		Balance at the end of last year		Carrying amount
	Amount	Proportion (%)	Amount	Appropriation proportion (%)		Amount	Proportion (%)	Amount	Appropriation proportion (%)	
Allowance for bad debts is made based on individual assessment	13,463,737.69	1.76	13,463,737.69	100.00	13,815,737.69	1.95	13,815,737.69	100.00		
Allowance for bad debts is made on group basis	752,111,090.25	98.24	30,354,495.70	4.04	721,756,594.55	694,646,615.99	98.05	28,627,212.24	4.12	666,021,403.75
Including: By aging	739,579,985.76	96.60	30,354,495.70	4.10	709,225,490.06	663,258,361.58	93.62	28,627,212.24	4.32	634,631,149.34
By related parties	12,531,104.49	1.64			12,531,104.49	31,390,254.41	4.43			31,390,254.41
Total	765,574,827.94	100.00	43,818,233.39		721,756,594.55	708,464,353.68	100.00	42,442,949.93		666,021,403.75

Note: Grouping by:

1. Provision for bad debts of ordinary accounts receivables is made based on the characteristics of credit risks.
2. No provision for bad debts is made for related parties based on the individual recognition method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(IV) Accounts receivable (Continued)***

Allowance for bad debts made on individual basis:

Name	Closing balance			Reasons for making allowance
	Book balance	Allowance for bad debts	Appropriation proportion (%)	
Shenzhen Mascon Technology Co., Ltd.(深圳市瑪斯科特科技有限公司)	5,919,990.18	5,919,990.18	100.00	Court judgment. Not yet recovered and expected to be unrecoverable
Xianyang Weilike Energy Co., Ltd.(咸陽威力克能源有限公司)	3,033,032.65	3,033,032.65	100.00	Court judgment. Not yet recovered and expected to be unrecoverable
Shenzhen Dikte Battery Science & Technology Co., Ltd. (深圳市迪凱特電池科技有限公司)	2,739,320.00	2,739,320.00	100.00	Court judgment. Not yet recovered and expected to be unrecoverable
Shenzhen Zhongtao Battery Co. Ltd (深圳市中韜電池有限公司)	1,771,394.86	1,771,394.86	100.00	Court judgment. Not yet recovered and expected to be unrecoverable
Total	13,463,737.69	13,463,737.69		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

Allowance for bad debts made on group basis:

Items for which allowance is made on group basis: by aging

Aging	Closing balance
Within 1 year	
Including: 0 to 6 months (inclusive)	601,236,843.41
7 to 12 months (inclusive)	65,770,595.06
Subtotal (within 1 year)	667,007,438.47
1 to 2 years (inclusive)	35,482,595.67
2 to 3 years (inclusive)	15,061,541.74
Over 3 years	22,028,409.88
Total of original value of accounts receivable	739,579,985.76
Less: allowances for bad debts	30,354,495.70
Total net value of accounts receivable	709,225,490.06

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

Items for which allowance is made on group basis: by related parties

Name	Accounts receivable	Closing balance	
		Allowance for bad debts	Appropriation proportion (%)
By related parties	12,531,104.49	_____	_____
Total	12,531,104.49	=====	=====

3. *Allowances for bad debts made, reversed or recovered for the period*

Type	Balance at the end of last year	Changes during the period			Closing balance
		Made	Recovered or reversed	Charged off or written off	
Allowances for bad debts	42,442,949.93	1,375,283.46	=====	=====	43,818,233.39

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)***4. Top five accounts receivable according to closing balance of debtors*

Name	Accounts receivable	Closing balance	Allowance for bad debts
		Percentage of total accounts receivable	
		(%)	
GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司)	77,632,265.13	10.14	29,606.88
Jinko Solar Co., Ltd. (晶科能源有限公司)	57,798,415.00	7.55	
SZYDLEWSKI BETEILIGUNGSGESELLSCHAFT UG (HAFTUNGSB)	43,228,109.44	5.65	
Zhejiang Meidu Hitrans Lithium Battery Technology Co. Ltd. (浙江美都海創鋰電科技有限公司)	42,737,224.64	5.58	
Hefei JA Solar Technology Co., Ltd. (合肥晶澳太陽能科技有限公司)	33,017,896.22	4.31	
Total	254,413,910.43	33.23	29,606.88

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(V) Receivables financing**1. *Receivables financing*

Item	Closing balance
Bills receivable	<u>259,018,954.23</u>
Total	<u><u>259,018,954.23</u></u>

2. *Changes in receivables financing*

Item	Balance at the end of last year	Opening balance	Accrued interest	Fair value changes during the period	Closing balance	Cost	Accumulated fair value changes	Accumulated allowance for losses recognized in other comprehensive income	Note
Bank acceptance bills	_____	283,052,731.03	_____	_____	<u>259,018,954.23</u>	<u>259,018,954.23</u>	_____	_____	_____
Total	<u>_____</u>	<u>283,052,731.03</u>	<u>_____</u>	<u>_____</u>	<u>259,018,954.23</u>	<u>259,018,954.23</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VI) Prepayments***1. Prepayments stated by aging*

Aging	Closing balance		Balance at the end of last year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Within 1 year (inclusive)	38,889,636.62	51.85	31,845,969.01	50.52
1 to 2 years (inclusive)	30,057,881.43	40.08	9,324,389.90	14.79
2 to 3 years (inclusive)	1,291,090.90	1.72	20,309,274.71	32.21
Over 3 years	4,763,555.55	6.35	1,566,156.23	2.48
Total	<u>60,010,713.66</u>	<u>100.00</u>	<u>63,045,789.85</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) *Prepayments (Continued)*

2. *Prepayments stated by nature*

Nature	Closing balance	Balance at the end of last year
Prepayments for materials	52,409,583.71	55,182,156.69
Prepayments for services	2,345,171.82	3,093,121.39
Others	5,255,958.13	77,092.65
Prepayments for equipment	<u> </u>	<u>4,693,419.12</u>
Total	<u>60,010,713.66</u>	<u>63,045,789.85</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VI) Prepayments (Continued)***3. Significant prepayments aged more than one year*

Creditor	Debtor	Closing balance	Aging	Reason for being unsettled
Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司)	Risen Energy Co., Ltd. (東方日升新能源股份有限公司)	23,000,000.00	1-3 years	Contract not yet fulfilled
Shaanxi IRICO New Material Co., Ltd.* (陝西彩虹新材料有限公司)	Dongtai Hengde Recycling Co., Ltd. (東台市恒德再生資源回收有限公司)	2,619,000.00	Over 3 years	Contract not yet fulfilled
IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司)	Anhui Qinze Trading Co.,Ltd.* (安徽秦澤貿易有限公司)	1,491,206.88	1-2 years	Contract not yet fulfilled
Total		<u>24,491,206.88</u>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VI) Prepayments (Continued)**

4. Top five prepayments according to closing balance of counterparties

Counterparties	Closing balance	Percentage of closing balance of total prepayments (%)
Risen Energy Co., Ltd. (東方日升新 能源股份有限公司)	23,000,000.00	38.33
Yan'an Gas Corporation (延安市燃 氣總公司)	5,000,000.00	8.33
State Grid Shaanxi Electric Power Company Yan'an Electric Power Supply Company (國網陝西省電力 公司延安供電公司)	3,672,830.21	6.12
Anhui Electric Power Company Hefei Electric Power Supply Company (安徽省電力公司合肥供 電公司)	3,281,673.76	5.47
Dongtai Hengde Recycling Co., Ltd. (東台市恒德再生資源回收有 限公司)	2,619,000.00	4.36
Total	37,573,503.97	62.61

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables**

Item	Closing balance	Balance at the end of last year
Interests receivable		
Dividends receivable		
Other receivables	92,895,618.64	249,397,827.25
Total	92,895,618.64	249,397,827.25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables*

(1) Other receivables disclosed by aging

Aging	Closing balance
Within 1 year	
Including: 0 to 6 months (inclusive)	30,269,922.11
7 to 12 months (inclusive)	534,486.94
Subtotal of within 1 year	30,804,409.05
1 to 2 years (inclusive)	24,155,500.69
2 to 3 years (inclusive)	7,795,202.22
Over 3 years	33,562,608.21
Total original value of other receivables	96,317,720.17
Less: allowances for bad debts	3,422,101.53
Total net value of other receivables	92,895,618.64

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(2) Other receivables by nature

Nature	Closing balance	Balance at the end of last year
Amounts due from related parties	26,126,273.84	208,334,695.63
Deposits and margins	26,354,233.49	25,557,991.13
Other current amounts	42,804,681.40	13,459,817.97
Withheld amount	840,354.44	272,024.05
Government grants	192,177.00	5,195,400.00
Total original value of other receivables	96,317,720.17	252,819,928.78
Less: allowances for bad debts	3,422,101.53	3,422,101.53
Total	92,895,618.64	249,397,827.25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(3) Allowances for bad debts

Allowances for bad debts	Stage I ECL for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	3,422,101.53			3,422,101.53
Book balance of other receivables at the end of last year during the period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Made in the period				
Reversed in the period				
Charged off in the period				
Written off in the period				
Other changes				
Closing balance	<u>3,422,101.53</u>			<u>3,422,101.53</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

- (4) Top five other receivables according to closing balance of debtors

Name	Nature	Closing balance	Aging	Percentage of closing balance of total other receivables (%)	Closing balance of bad debt allowance
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	Deposits	18,438,721.42	Over 3 years	19.14	
IRICO Group Corporation Limited (彩虹集團有限公司)	Open credit	12,766,799.70	0 to 6 months	13.25	
Ping An International Financial Leasing Company Limited (平安國際融資租賃有限公司)	Deposits	10,500,000.00	1 to 2 years	10.90	
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	Deposits	9,000,000.00	1 to 2 years	9.34	
HONGKONG SUNLINK PV	Open credit	4,002,726.52	2 to 3 years	4.16	
Total		54,708,247.64		56.80	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(VIII) Inventories****1. Categories of inventories*

Item	Closing balance			Balance at the end of last year		
	Book balance	provision for impairment of inventories/ provision for impairment of contract	Carrying Amount	Book balance	provision for impairment of inventories/ provision for impairment of contract	Carrying Amount
Raw materials	59,941,911.32	850,509.62	59,091,401.70	44,693,288.08	968,907.38	43,724,380.70
Goods in stock	91,123,979.06	1,048,925.36	90,075,053.70	75,409,383.88	1,262,752.74	74,146,631.14
Revolving materials and others	22,250,936.63	5,144,070.47	17,106,866.16	32,129,163.26	5,203,087.20	26,926,076.06
Semi-finished goods and work-in-process	5,140,613.63	167,483.07	4,973,130.56	9,690,919.83		9,690,919.83
Goods in transit	3,794,184.41		3,794,184.41	11,820,575.35		11,820,575.35
Low-value consumables	1,155,174.92		1,155,174.92			
Total	183,406,799.97	7,210,988.52	176,195,811.45	173,743,330.40	7,434,747.32	166,308,583.08

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VIII) Inventories (Continued)***2. Provision for impairment of inventories and provision for impairment of contract performance cost*

Item	Balance at the end of last year	Increase in the period		Decrease in the period		Closing balance
		Made	Others	Reversed or charged off	Others	
Raw materials	968,907.38			118,397.76		850,509.62
Goods in stock	1,262,752.74			213,827.38		1,048,925.36
Revolving materials and others	5,203,087.20			59,016.73		5,144,070.47
Semi-finished goods and work-in-process		167,483.07				167,483.07
Total	7,434,747.32	167,483.07		391,241.87		7,210,988.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(IX) Other current assets***

Item	Closing balance	Balance at the end of last year
Input VAT deductible	80,991,244.45	85,627,181.99
Prepaid enterprise income tax	4,387,884.81	
Deferred expenses	556,380.67	
Total	85,935,509.93	85,627,181.99

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XI) Other investment in equity instruments**1. *Details of other investment in equity instruments*

Item	Closing balance	Balance at the end of last year
IRICO Display Devices Co., Ltd.* (彩虹顯示器股份有限公司)	177,232,121.73	146,101,529.49
Shaanxi Caihong Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公 司)	103,908,078.93	103,908,078.93
Total	281,140,200.66	250,009,608.42

(XII) Fixed assets1. *Fixed assets and disposal of fixed assets*

Item	Closing balance	Balance at the end of last year
Fixed assets	1,498,076,939.32	1,501,971,942.72
Disposal of fixed assets	116,557.06	192,890.99
Total	1,498,193,496.38	1,502,164,833.71

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XII) Fixed assets (Continued)***2. Details of fixed assets*

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Electronic device	Office equipment	Furnaces for glass substrates	Total
I. Original carrying amount							
(1) Balance at the end of last year	628,324,390.96	1,098,887,540.52	18,120,433.09	504,146,606.68	18,598,665.89	410,173,606.67	2,678,251,243.81
(2) Increase in the period	4,040,483.48	18,198,777.52	168,495.76	28,165,410.41	3,706,563.29		54,279,730.46
– Purchase		11,604,351.33	20,689.66	5,617,685.24	459,114.99		17,701,841.22
– Transferred from construction in progress	4,040,483.48	6,594,426.19	147,806.10	22,547,725.17	3,247,448.30		36,577,889.24
(3) Decrease in the period							
– Disposal or retirement							
(4) Closing balance	632,364,874.44	1,117,086,318.04	18,288,928.85	532,312,017.09	22,305,229.18	410,173,606.67	2,732,530,974.27
2. Accumulated depreciation							
(1) Balance at the end of last year	108,546,063.09	189,271,426.86	9,793,557.90	83,451,198.87	9,559,551.14	76,271,162.16	476,892,960.02
(2) Increase in the period	7,781,540.99	25,185,902.54	622,842.44	11,794,491.70	289,387.11	12,500,569.08	58,174,733.86
– Provision	7,781,540.99	25,185,902.54	622,842.44	11,794,491.70	289,387.11	12,500,569.08	58,174,733.86
(3) Decrease in the period							
– Disposal or retirement							
(4) Closing balance	116,327,604.08	214,457,329.40	10,416,400.34	95,245,690.57	9,848,938.25	88,771,731.24	535,067,693.88
3. Provision for impairment							
(1) Balance at the end of last year		289,179,084.74	3,154,148.48	233,876,874.69	1,175,360.31	172,000,872.85	699,386,341.07
(2) Increase in the period							
– Provision							
(3) Decrease in the period							
– Disposal or retirement							
(4) Closing balance		289,179,084.74	3,154,148.48	233,876,874.69	1,175,360.31	172,000,872.85	699,386,341.07
4. Carrying amount							
(1) Closing balance of carrying amount	516,037,270.36	613,449,903.90	4,718,380.03	203,189,451.83	11,280,930.62	149,401,002.58	1,498,076,939.32
(2) Carrying amount at the end of last year	519,778,327.87	620,437,028.92	5,172,726.71	186,818,533.12	7,863,754.44	161,901,571.66	1,501,971,942.72

Note: The furnaces for glass substrates of Xianyang IRICO Photovoltaic Glass Factory (彩虹光伏玻璃廠) (“Xianyang Photovoltaic”), a subsidiary of the Company, were shut down. For the details, please see the Notes X. (V) and XIV. (III).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XII) Fixed assets (Continued)**

3. Temporarily idle fixed assets

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Electronic devices	173,854,541.25	38,088,063.68	107,969,044.85	27,797,432.72	
Machinery and equipment	83,224,193.06	12,523,731.62	68,024,720.46	2,675,740.98	
Furnaces for glass substrates	484,771,202.36	109,417,609.64	316,652,429.34	58,701,163.38	
Office equipment and others	4,419,267.94	3,111,329.25	1,175,360.31	132,578.38	
Motor vehicles	<u>2,524,802.66</u>	<u>1,535,666.38</u>	<u>913,392.20</u>	<u>75,744.08</u>	
Total	<u><u>748,794,007.27</u></u>	<u><u>164,676,400.57</u></u>	<u><u>494,734,947.16</u></u>	<u><u>89,382,659.54</u></u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XII) Fixed assets (Continued)**

4. *Details of fixed assets of which title of certificates had not been obtained*

Item	Carrying amount	Reasons for having not to obtained the title of certificates
Buildings and structures	474,307,584.77	Settlement formalities for project completion have not been completed

5. *Disposal of fixed assets*

Item	Closing balance	Balance at the end of last year
Electronic devices	63,489.58	63,489.58
Machinery and equipment	30,639.25	31,005.66
Motor vehicles	22,428.23	22,061.82
Buildings and structures		76,333.93
Total	116,557.06	192,890.99

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XIII) Construction in progress***1. *Construction in progress and construction materials*

Item	Closing balance	Balance at the end of last year
Construction in progress	878,789,275.54	772,497,652.24
Construction materials		
Total	878,789,275.54	772,497,652.24

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XIII) Construction in progress (Continued)***2. Details of construction in progress*

Item	Closing balance			Balance at the end of last year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Yan'an solar photovoltaic glass furnace(延安太陽能光伏玻璃窯爐)	549,289,118.98		549,289,118.98	419,863,373.93		419,863,373.93
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	261,602,668.53	3,126,964.80	258,475,703.73	234,723,053.68	3,126,964.80	231,596,088.88
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期項目)	134,556,004.20	84,426,004.20	50,130,000.00	146,068,610.32	84,426,004.20	61,642,606.12
Quartz sand mines integration and quartz sand plant construction project of Hanzhong Jiarunze(漢中佳潤澤石英砂礦及石英砂建廠項目)	13,185,970.09		13,185,970.09	14,174,125.05		14,174,125.05
2GW solar photovoltaic modules production line project of Jiangsu Yongneng (江蘇永能2GW太陽能組件生產線項目)	2,957,273.96		2,957,273.96	2,405,813.37		2,405,813.37
Xianyang photovoltaic glass production line construction project (咸陽光伏玻璃生產線建設項目)	2,573,161.58		2,573,161.58	2,573,004.40		2,573,004.40
Xianyang ancillary technical reconstruction project for cathode materials production line(咸陽正極材料生產線配套技改項目)	2,178,047.20		2,178,047.20	1,961,353.24		1,961,353.24

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XIII) Construction in progress (Continued)****2. Details of construction in progress (Continued)*

Item	Closing balance			Balance at the end of last year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Xianyang photoresist production line construction project (咸陽光阻生產線建設項目)				14,664,398.99		14,664,398.99
Jiangsu Yongneng roof power station project (江蘇永能屋頂電站工程項目)				12,303,419.55		12,303,419.55
Distributed photovoltaic power generation project of Nanjing Orientleader Technology Co., Ltd. (南京利德東方分佈式光伏發電項目)				8,444,629.22		8,444,629.22
Others				2,868,839.49		2,868,839.49
Total	966,342,244.54	87,552,969.00	878,789,275.54	860,050,621.24	87,552,969.00	772,497,652.24

Note: Xianyang photovoltaic glass project (phase III) of Xianyang IRICO Photovoltaic Glass Factory (彩虹光伏玻璃廠) (“Xianyang Photovoltaic”), a subsidiary of the Company, was shut down. For the details, please see the Notes X. (V) and XIV. (III).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(XIII) Construction in progress (Continued)
3. Movements of significant construction in progress for the period

Name of project	Budgeted amount	Balance at the end of last year	Increase for the period	Amount		Accumulated investment in project as a percentage of total budget (%)	Project progress (%)	Accumulated amount of interest capitalized	Of which: amount of interest capitalized for the period	Interest capitalization rate for the period (%)	Source of funds	
				transferred to fixed Assets for the period	Other decreases for the period							
Yan'an solar photovoltaic glass furnace (延安太陽能光伏玻璃窯爐)	750,170,800.00	419,863,373.93	129,425,745.05			549,289,118.98	73.22	73.22	12,150,123.95	6,931,752.91	4.75	Self-raised funds, borrowings
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	1,650,000,000.00	234,723,053.68	26,879,614.85			261,602,668.53	71.45	71.45	59,454,400.50	4,704,688.95	5.70	Self-raised funds and loans from financial institutions
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期項目)	305,000,000.00	146,068,610.32		11,512,606.12		134,556,004.20	47.11	47.11	20,221,417.52			Self-raised funds
Quartz sand mines integration and quartz sand plant construction project of Hanzhong Caihong Electronics (漢中彩虹電子整合石英砂礦及石英砂生產項目)	28,040,000.00	14,174,125.05		988,154.96		13,165,570.09	40.00	40.00				Self-raised funds
25W solar photovoltaic Modules production line project of Jiangsu Yongheng (江蘇永恆25W太陽能組件生產線項目)	836,360,000.00	2,405,813.37	551,460.59			2,957,273.96						Self-raised
Xianyang photovoltaic glass production line construction project (咸陽光伏玻璃生產線建設項目)	831,000,000.00	2,573,004.40	157.18			2,573,161.58	0.31	0.31				Self-raised
Xianyang ancillary technical reconstruction project for cathode materials production line (咸陽正極材料生產線配套技改項目)		1,961,353.24	216,693.96			2,178,047.20	0.29	0.29				Self-raised
Total	4,600,570,800.00	821,769,333.99	157,073,671.63	12,500,761.08		866,242,244.54			91,835,941.97	11,636,441.86		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XIV) Right-of-use assets***

Item	Buildings and structures	Transportation equipment	Office equipment and others	Total
Balance at the end of last year				
Opening balance of this year	2,385,461.80	1,303,753.16	121,798.46	3,811,013.42
Increase for the period	18,065,951.15			18,065,951.15
(1) New leases	18,065,951.15			18,065,951.15
(2) Increase from business combinations				
Adjustment on revaluation				
Provision for impairment of right-of-use assets				
Disposal				
Depreciation and amortisation	1,866,973.74	138,157.20	30,449.62	2,035,580.56
Closing balance	18,584,439.21	1,165,595.96	91,348.84	19,841,384.01

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XV) Intangible assets***1. Details of intangible assets*

Item	Land use rights	Patents	Trademarks	Software	Non-patent technologies	Mining rights	Total
1. Original carrying amount							
(1) Balance at the end of last year	276,502,034.42	1,376,000.00	45,850.00	2,377,002.03	19,582,500.00	26,600,362.50	326,483,748.95
(2) Increase for the period – Addition							
(3) Decrease for the period – Disposal							
(4) Closing balance	276,502,034.42	1,376,000.00	45,850.00	2,377,002.03	19,582,500.00	26,600,362.50	326,483,748.95
2. Accumulated amortisation							
(1) Balance at the end of last year	28,558,798.66	1,376,000.00	33,240.96	2,313,813.32	19,390,916.67	9,946,222.50	61,618,992.11
(2) Increase for the period – Provision	2,782,055.90		2,292.46	7,433.94	79,125.00	1,387,845.00	4,258,752.30
(3) Decrease for the period – Disposal							
(4) Closing balance	31,340,854.56	1,376,000.00	35,533.42	2,321,247.26	19,470,041.67	11,334,067.50	65,877,744.41
3. Provision for impairment							
(1) Balance at the end of last year							
(2) Increase for the period – Provision							
(3) Decrease for the period – Disposal							
(4) Closing balance							
4. Carrying amount							
(1) Closing balance of carrying amount	245,161,179.86		10,316.58	55,754.77	112,458.33	15,266,295.00	260,606,004.54
(2) Carrying amount at the end of last year	247,943,235.76		12,609.04	63,188.71	191,583.33	16,654,140.00	264,864,756.84

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XVI) Development expenditures***

Item	Balance at the end of last year	Increase for the period		Decrease for the period			Closing balance	Time for commencement of capitalization	Specific basis of capitalization	Progress of research and development as at the end of the period
		Internal development expenditures	Others	Recognised as intangible assets	Charged to the current profit or loss	Others				
Development of NCM611 ternary material technologies		6,550,203.36					6,550,203.36	Development stage	Report on establishment of project on NCM611 ternary technologies development	60%
Total		6,550,203.36					6,550,203.36			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XVII) Goodwill***1. Original carrying amount of goodwill*

Name of investees or issues resulting in goodwill	Balance at the end of last year	Increase for the period		Closing balance
		Arising from business combinations	Decrease for the period Disposal	
Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司)	41,533,010.55			41,533,010.55
Total	41,533,010.55			41,533,010.55

2. Provision for goodwill impairment

Name of investees or matters forming goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司)	2,988,682.86			2,988,682.86
Total	2,988,682.86			2,988,682.86

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XVIII) Long-term deferred expenses***

Item	Balance at the end of last year	Increase for the period	Amortisation for the period	Other decreases	Closing balance
Financial leasing service fees	18,522,119.80		4,190,364.30	14,331,755.50	
Expansion of production capacity of battery materials	<u>1,167,180.30</u>	<u>109,569.00</u>	<u>228,872.25</u>		<u>1,047,877.05</u>
Total	<u>19,689,300.10</u>	<u>109,569.00</u>	<u>4,419,236.55</u>	<u>14,331,755.50</u>	<u>1,047,877.05</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XIX) Deferred tax assets and deferred tax liabilities***1. Deferred tax assets before offsetting*

Item	Closing balance		Balance at the end of last year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	<u>6,970,976.42</u>	<u>1,045,646.47</u>	<u>5,741,299.75</u>	<u>861,194.97</u>
Total	<u><u>6,970,976.42</u></u>	<u><u>1,045,646.47</u></u>	<u><u>5,741,299.75</u></u>	<u><u>861,194.97</u></u>

2. Deferred tax liabilities before offsetting

Item	Closing balance		Balance at the end of last year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Assets revaluation increment from business combination not under common control	<u>4,333,110.13</u>	<u>649,966.52</u>	<u>4,432,715.20</u>	<u>664,907.28</u>
Total	<u><u>4,333,110.13</u></u>	<u><u>649,966.52</u></u>	<u><u>4,432,715.20</u></u>	<u><u>664,907.28</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XIX) Deferred tax assets and deferred tax liabilities (Continued)***3. *Breakdown of unrecognised deferred tax assets*

Item	Closing balance	Balance at the end of last year
Deductible temporary differences	1,077,392,845.52	1,104,160,596.76
Deductible tax losses	1,025,741,721.25	967,432,818.95
Total	<u>2,555,724,453.66</u>	<u>2,071,593,415.71</u>

4. *Deductible tax losses that are not recognised as deferred tax assets will expire in the following years:*

Year	Closing balance	Balance at the end of last year	Notes
2019	399,386,533.99	399,386,533.99	
2020	43,788,203.01	43,788,203.01	
2021	384,122,955.80	384,122,955.80	
2022	125,017,691.51	125,017,691.51	
2023	15,117,434.64	15,117,434.64	
2024	58,308,902.30	_____	
Total	<u>1,025,741,721.25</u>	<u>967,432,818.95</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XX) Other non-current assets**

Item	Closing balance		Balance at the end of last year			
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Payments for equipment	14,991,450.84		14,991,450.84			
Prepaid taxes				11,869,754.47		11,869,754.47
Total	<u>14,991,450.84</u>		<u>14,991,450.84</u>	<u>11,869,754.47</u>		<u>11,869,754.47</u>

(XXI) Short-term borrowings*1. Categories of short-term borrowings*

Item	Closing balance	Balance at the end of last year
Pledged borrowings	94,000,000.00	130,252,466.63
Mortgaged borrowings	18,000,000.00	18,000,000.00
Guaranteed borrowings	239,000,000.00	236,000,000.00
Guaranteed and mortgaged borrowings	<u>60,000,000.00</u>	<u>50,000,000.00</u>
Total	<u>411,000,000.00</u>	<u>434,252,466.63</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***(XXI) Short-term borrowings (Continued)***

Explanations on classification of short-term borrowings:

Pledged borrowings:

Lender	Borrowing balance	Pledge
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	90,000,000.00	Pledged by the 35,375,673 shares held in IRICO Display Devices Co., Ltd.
China Zheshang Bank Co., Ltd. Xianyang Branch (浙商銀行股份有限公司咸陽分行)	4,000,000.00	Bank acceptance bills held by the Company
Total	94,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXI) Short-term borrowings (Continued)**

Mortgaged borrowings:

Lender	Borrowing balance	Collateral
Suzhou Bank Co., Ltd Zhangjiagang Economic & Technological Development Zone Subbranch (蘇州銀行股 份有限公司張家港經濟技術開 發區支行)	18,000,000.00	Property and land of Jiangsu Yongneng, ownership certificate no.: Su (2018) Zhangjiagang Real Estate Certificate No. 0040300.
Total	18,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXI) Short-term borrowings (Continued)***

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
Hefei Science & Technology Rural Commercial Bank Co., Ltd Xinzhan Sub-branch (合肥科技農村商業銀行股份有限公司新站支行)	50,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Huishang Bank Corporation Limited* Hefei Technology Sub-branch (徽商銀行股份有限公司合肥科技支行)	50,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Guangfa Bank Hefei Branch (廣發銀行股份有限公司合肥分行)	50,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Construction Bank Corporation Hefei Chengdong Sub-branch (中國建設銀行股份有限公司合肥城東支行)	40,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Bank of China Limited Xianyang Branch (中國銀行股份有限公司咸陽分行)	30,000,000.00	IRICO Group Corporation Limited * (彩虹集團有限公司)
China Zheshang Bank Co., Ltd. Xianyang Branch (浙商銀行股份有限公司咸陽分行)	19,000,000.00	IRICO Group Corporation Limited * (彩虹集團有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Total	239,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXI) Short-term borrowings (Continued)***

Guaranteed and mortgaged borrowings:

Lender	Borrowing balance	Collateral and guarantor
Industrial and Commercial Bank of China Limited Xianyang Caihong Subbranch (中國工商銀行股份有限公司咸陽彩虹支行)	10,000,000.00	Pledged with buildings and structures of Shaanxi IRICO New Materials Company Limited* (陝西彩虹新材料有限公司), ownership certificate no.: Shaan (2018) Xianyang Real Estate No. 0260004, Shaan (2018) Xianyang Real Estate No. G0000957, Shaan (2018) Xianyang Real Estate No. G0000976, Shaan (2018) Xianyang Real Estate No. G0000975, Shaan (2018) Xianyang Real Estate No. G0000974, and the guarantee facilities of RMB15 million provided by IRICO Group New Energy Company Limited.
Jiangsu Zhangjiagang Rural Commercial Bank Co., Ltd (江蘇張家港農村商業銀行股份有限公司)	50,000,000.00	Pledged with fixed assets and guaranteed by IRICO Group Corporation Limited * (彩虹集團有限公司) at the same time.
Total	60,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXII) Notes payables***

<u>Type</u>	<u>Closing balance</u>	<u>Balance at the end of last year</u>
Bank acceptance	543,545,938.24	490,689,505.29
Trade acceptance	3,785,230.40	—
Total	<u>547,331,168.64</u>	<u>490,689,505.29</u>

(XXIII) Accounts payable*1. Accounts payable by aging*

<u>Item</u>	<u>Closing balance</u>	<u>Balance at the end of last year</u>
Within 1 year (inclusive)	669,960,950.20	758,391,661.66
1–2 years (inclusive)	219,511,432.17	88,207,014.92
2–3 years (inclusive)	76,077,665.61	8,715,723.71
Over 3 years	33,274,463.25	34,069,882.15
Total	<u>998,824,511.23</u>	<u>889,384,282.44</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXIII) Accounts payable (Continued)****2. Accounts payable by nature*

Item	Closing balance	Balance at the end of last year
Payables for materials	547,692,393.86	515,375,477.77
Payables for construction	215,051,988.61	158,586,578.13
Payables for equipment	173,776,680.12	155,246,624.25
Payables for services	41,405,795.22	37,788,642.51
Payables for supplies	12,134,647.81	9,289,278.50
Payables for transportation	785,915.90	461,296.22
Others	7,977,089.71	12,636,385.06
Total	998,824,511.23	889,384,282.44

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXIII) Accounts payable (Continued)***3. *Significant accounts payable aged over 1 year*

Item	Closing balance	Reasons for outstanding or carried forward
Heifei Gas Group Company Limited (合肥燃氣集團有限公司)	9,754,756.90	Unsettled
Shanghai Ruixin Equipment & Engineering of Glass Technology Co., Ltd	7,700,000.00	Unsettled
Yunyan Materials Science (Shanghai) Company Limited (運 研材料科技(上海)有限公司)	7,657,682.20	Unsettled
Liquefied Gas (Hefei) Company Limited (液化空氣(合肥)有限公司)	7,047,806.09	Unsettled
Hainan Zhongdi Mining Co., Ltd (海 南中地礦業有限公司)	6,895,987.10	Unsettled
Bengbu Chengxin Chemical Co., Ltd (蚌埠市誠鑫化輕有限公司)	6,724,385.12	Unsettled
Shaanxi Jiarunze Industrial Co., Ltd. (陝西佳潤澤實業有限公司)	6,091,500.00	Unsettled
South Glass Technology Co., Ltd (廣 東索奧斯玻璃技術有限公司)	5,552,136.75	Unsettled
Xianyang Caiqin Electronic Device Co., Ltd. (咸陽彩秦電子器件有限責 任公司)	4,740,348.60	Unsettled
Total	62,164,602.76	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXIV) Contract liabilities****1. Contract liabilities*

Item	Closing balance			Balance at the end of last year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Receipts in advance for goods	47,816,612.01		47,816,612.01	50,535,500.53		50,535,500.53
Total	<u>47,816,612.01</u>	<u></u>	<u>47,816,612.01</u>	<u>50,535,500.53</u>	<u></u>	<u>50,535,500.53</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXV) Employee benefits payable***1. *Employee benefits payable is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Short-term benefits	39,036,410.92	80,884,186.87	96,224,057.19	23,696,540.60
Post-employment benefits – defined contribution scheme	189,620.71	9,610,203.53	9,306,482.26	493,341.98
Termination benefits	3,292,449.18	579,221.46	2,981,685.47	889,985.17
Pending lawsuits	_____	_____	_____	_____
Total	<u>42,518,480.81</u>	<u>91,073,611.86</u>	<u>108,512,224.92</u>	<u>25,079,867.75</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXV) Employee benefits payable (Continued)****2. Short-term benefits is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
(1) Salaries, bonuses, allowance and subsidies	8,682,261.85	62,306,986.31	64,505,476.58	6,483,771.58
(2) Staff welfare	14,900,345.42	5,359,291.97	10,232,692.01	10,026,945.38
(3) Social insurance	52,319.14	4,672,652.48	4,597,687.69	127,283.93
Including: Medical				
insurance	39,945.87	3,992,014.53	3,929,734.15	102,226.25
Work-related injury insurance	9,365.60	407,502.26	407,941.74	8,926.12
Maternity insurance	3,007.67	273,135.69	260,011.80	16,131.56
(4) Housing provident fund	102,505.25	3,771,396.28	3,651,304.24	222,597.29
(5) Labour union expenses and employee education expenses	7,136,316.65	1,783,681.88	2,084,056.11	6,835,942.42
(6) Other short-term benefits	<u>8,162,662.61</u>	<u>2,990,177.95</u>	<u>11,152,840.56</u>	<u> </u>
Total	<u><u>39,036,410.92</u></u>	<u><u>80,884,186.87</u></u>	<u><u>96,224,057.19</u></u>	<u><u>23,696,540.60</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXV) Employee benefits payable (Continued)***3. *Defined contribution scheme is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	157,763.20	9,309,487.17	9,035,727.73	431,522.64
Unemployment insurance	<u>31,857.51</u>	<u>300,716.36</u>	<u>270,754.53</u>	<u>61,819.34</u>
Total	<u><u>189,620.71</u></u>	<u><u>9,610,203.53</u></u>	<u><u>9,306,482.26</u></u>	<u><u>493,341.98</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVI) Taxes payable***

Tax item	Closing balance	Balance at the end of last year
Value-added tax	1,419,103.75	10,318,676.57
Enterprise income tax	4,457,448.66	5,462,270.27
Real estate tax	2,225,713.89	1,862,708.35
Urban maintenance and construction tax	1,708,592.87	1,825,696.96
Land use tax	931,919.17	912,950.53
Individual income tax	600,346.75	1,023,029.71
Stamp duty	85,549.58	253,278.52
Education surcharge	59,579.60	86,514.36
Others	340,731.05	450,445.70
Total	<u>11,828,985.32</u>	<u>22,195,570.97</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVII) Other payables***

Item	Closing balance	Balance at the end of last year
Interests payable	79,347.43	24,484,848.54
Dividends payable	21,689,811.54	21,689,811.54
Other payables	1,523,917,119.72	1,493,314,794.18
Total	1,545,686,278.69	1,539,489,454.26

2. *Interests payable*

Item	Closing balance	Balance at the end of last year
Interest of long-term borrowings with interest paid in installments and principal repaid on maturity	79,347.43	7,827,581.46
Interest payables of short-term borrowings		867,805.90
Interest of borrowings from non- financial institutions		15,789,461.18
Total	79,347.43	24,484,848.54

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXVII) Other payables (Continued)***3. Dividends payable*

Item	Closing balance	Balance at the end of last year
Dividends of ordinary shares	21,689,811.54	21,689,811.54
Total	<u>21,689,811.54</u>	<u>21,689,811.54</u>

Unpaid dividends payable over 1 year :

Item	Balance payable	Reason for unsettlement
Zhejiang Yongneng Photoelectricity Holding Company Limited* (浙江永能 光電控股有限公司)	11,808,897.39	Haven't been collected by the counterparties yet
Suzhou Yongjin Investment Co., Ltd.* (蘇州永金投資有限 公司)	6,024,947.65	Haven't been collected by the counterparties yet
Suzhou Huilian Solar Energy Technology Co., Ltd.* (蘇州惠 利安太陽能科技有限公司)	3,855,966.50	Haven't been collected by the counterparties yet
Total	<u>21,689,811.54</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVII) Other payables (Continued)***4. *Other payables*

(1) Other payables stated by nature

Item	Closing balance	Balance at the end of last year
Amounts due to related parties	1,136,802,691.27	1,012,668,566.67
Loans from non-financial institutions and interest thereon	331,092,733.24	431,092,733.24
Retention money and deposits	9,909,215.31	9,913,360.65
Amounts due to employees	4,789,757.86	4,126,527.51
Other current account	41,322,722.04	35,513,606.11
Total	1,523,917,119.72	1,493,314,794.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVII) Other payables (Continued)***4. *Other payables (Continued)*

(2) Other major payables aged more than one year

Item	Closing balance	Reasons for outstanding or carried forward
Yan'an Dingyuan Investment Co., Ltd.* (延安市鼎源投資有限責任公司)	285,938,000.00	The contact has not yet expired
Zhangjiagang Economic & Technological Development Zone Corporation (張家港經濟技術開發區總公司)	31,092,733.24	Unsettled
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	10,406,002.65	Haven't been collected by the counterparties yet
Shaanxi Ladyman Industrial Group Co., Ltd. (陝西蕾德曼實業集團有限公司)	2,375,744.05	Unsettled
Shaanxi Jiarunze Industrial Co., Ltd. (陝西佳潤澤實業有限公司)	1,656,051.37	Unsettled
Total	<u>331,468,531.31</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***(XXVIII) Non-current liabilities due within one year***

Item	Closing balance	Balance at the end of last year
Long-term loans due within one year	542,622,468.91	495,437,200.00
Amortized sale-and-lease back service payments due within one year	-5,124,000.00	
Other long-term liabilities due within one year	3,812,898.61	2,082,366.90
Total	541,311,367.52	497,519,566.90

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXVIII) Non-current liabilities due within one year (Continued)**

Explanations on long-term borrowings due within one year:

Guaranteed loans:

Lender	Borrowing balance	Guarantor
Bank of Xi'an Xianyang Branch (西安銀行股份有限公司咸陽分行)	50,000,000.00	IRICO Group Corporation Limited * (彩虹集團有限公司)
Huaxia Bank Xi'an Branch (華夏銀行股份有限公司西安分行)	49,700,000.00	IRICO Group New Energy Company Limited
Chang'an Bank Limited Xianyang Caihong Branch (長安銀行股份有限公司咸陽彩虹支行)	2,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Hefei Science & Technology Rural Commercial Bank Co., Ltd Xinzhan Sub-branch (合肥科技農村商業銀行股份有限公司新站支行)	18,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Anhui Xiuming Rural Commercial Bank Co., Ltd. (安徽休寧農村商業銀行股份有限公司)	15,796,050.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Anhui She County Rural Commercial Bank Co., Ltd. (安徽歙縣農村商業銀行股份有限公司)	34,583,500.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVIII) Non-current liabilities due within one year (Continued)***

Explanations on long-term borrowings due within one year:
(Continued)

Guaranteed loans: (Continued)

Lender	Borrowing balance	Guarantor
Hefei Science & Technology Rural Commercial Bank Co., Ltd Xinzhan Sub-branch (合肥科技農村商業銀行 股份有限公司新站支行)	50,099,100.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Bohai Bank Limited Nanjing Branch (渤海銀行股份有限公司南京 分行)	10,000,000.00	IRICO Group Corporation Limited * (彩虹集團有限公司), IRICO Group New Energy Company Limited
Total	<u>230,178,650.00</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXVIII) Non-current liabilities due within one year (Continued)****Mortgaged and guaranteed borrowings:**

Lender	Borrowing balance	Collateral/guarantor
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	67,800,000.00	Fixed assets/IRICO Group Corporation Limited * (彩虹集團有限公司)
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	66,077,152.25	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	66,666,666.66	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited *(彩虹集團有限公司)
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	59,500,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有限公司), IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司), IRICO Group New Energy Company Limited
China Electronics Commercial Financial Leasing Co., Ltd (中電通商融資租賃有限公司)	50,000,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Total	<u>310,043,818.91</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXIX) Long-term borrowings*****Classification of Long-term borrowings:**

Item	Closing balance	Balance at the end of last year
Guaranteed borrowings	155,001,800.00	199,485,600.00
Credit borrowings	3,500,000.00	4,700,000.00
Mortgaged and guaranteed borrowings		391,190,144.44
Total	158,501,800.00	595,375,744.44

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXIX) Long-term borrowings (Continued)**

Explanations on classification of long-term borrowings:

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
Hefei Science & Technology Rural Commercial Bank Co., Ltd Xinzhan Sub-branch (合肥科技農村商業銀行股份有限公司新站支行)	41,201,400.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Anhui Xiuning Rural Commercial Bank Co., Ltd. (安徽休寧農村商業銀行股份有限公司)	4,932,100.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Anhui She County Rural Commercial Bank Co., Ltd. (安徽歙縣農村商業銀行股份有限公司)	9,868,300.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Chang'an Bank Limited Xianyang Caihong Branch (長安銀行股份有限公司咸陽彩虹支行)	68,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Bohai Bank Limited Nanjing Branch (渤海銀行股份有限公司南京分行)	31,000,000.00	IRICO Group Corporation Limited* (彩虹集團有限公司), IRICO Group New Energy Company Limited
Total	155,001,800.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***(XXX) Lease liabilities***

<u>Item</u>	<u>Closing balance</u>
Lease payment	20,195,612.95
Unrecognized financing expenses	-3,958,892.31
Total	<u>16,236,720.64</u>

(XXXI) Long-term payables

<u>Item</u>	<u>Closing balance</u>	Balance at the end of last year
Long-term payables	261,240,435.83	
Special payables	7,000,000.00	7,000,000.00
Total	<u>268,240,435.83</u>	<u>7,000,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXI) Long-term payables (Continued)****1. Long-term payables*

Item	Closing balance	Balance at the end of last year
Rental for sale and leaseback	270,448,191.33	
Unrecognized financing expenses	-9,207,755.50	
Total	261,240,435.83	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXXI) Long-term payables (Continued)**

1. Long-term payables (Continued)

Explanation on long-term payables:

Security and guarantee:

Lender	Borrowing balance	Collateral/guarantor
China Electronics Commercial Financial Leasing Co., Ltd (中電通商 融資租賃有限公司)	112,800,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有 限公司)
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公 司)	48,314,857.99	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽 中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹 集團有限公司)
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公 司)	83,333,333.34	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽 中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹 集團有限公司)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXXI) Long-term payables (Continued)**1. *Long-term payables (Continued)*

Lender	Borrowing balance	Collateral/guarantor
International Far Eastern Leasing Co., Ltd* (遠東國 際租賃有限公司)	3,500,000.00	Fixed assets/IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥) 光伏有限公司), IRICO Group New Energy Company Limited
International Far Eastern Leasing Co., Ltd* (遠東國 際租賃有限公司)	22,500,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有 限公司), IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公 司), IRICO Group New Energy Company Limited
Total	<u>270,448,191.33</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXI) Long-term payables (Continued)***2. *Special payables*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance	Source
Appropriations for projection tube business	7,000,000.00	_____	_____	7,000,000.00	
Total	7,000,000.00	_____	_____	7,000,000.00	

(XXXII) Long-term employee benefits payable1. *Breakdown of long-term employee benefits payable*

Item	Closing balance	Balance at the end of last year
I. Post-employment benefits- net liabilities of the defined benefit scheme		
II. Termination benefits	11,321,052.85	10,856,171.40
III. Other long-term benefits		
Total	11,321,052.85	10,856,171.40

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXIII) Deferred income***

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance	Source
Government grants	<u>76,512,512.01</u>	<u>1,650,697.84</u>	<u>6,474,757.94</u>	<u>71,688,451.91</u>	Government grants
Total	<u>76,512,512.01</u>	<u>1,650,697.84</u>	<u>6,474,757.94</u>	<u>71,688,451.91</u>	

Items in relation to government grants:

Liabilities	Balance at the end of last year	New grants during the period	Amount included in profit or loss during the period	Other changes	Closing balance	Related to assets/related to income
Local incentive fund	64,017,712.56	1,550,697.84	775,348.92		64,793,061.48	Related to assets
Special government grants	6,954,799.45		5,649,409.02		1,305,390.43	Related to assets
Special project on solar photovoltaic and semiconductor lighting development in Shaanxi Province	4,640,000.00	100,000.00			4,740,000.00	Related to assets
Others	<u>900,000.00</u>		<u>50,000.00</u>		<u>850,000.00</u>	Related to assets
Total	<u>76,512,512.01</u>	<u>1,650,697.84</u>	<u>6,474,757.94</u>		<u>71,688,451.91</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXIV) Other non-current liabilities***

Item	Closing balance			Balance at the end of last year		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Tax subject to write-off	<u>6,086,904.15</u>		<u>6,086,904.15</u>			
Total	<u><u>6,086,904.15</u></u>	<u><u></u></u>	<u><u>6,086,904.15</u></u>	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>

(XXXV) Share capital

Item	Balance at the end of last year	Issue of new shares	Increase/(decrease) (+, -) for the period			Others	Subtotal	Closing balance
			Bonus issue	Shares transferred from reserve				
Domestic shares	1,601,468,000.00						<u>1,601,468,000.00</u>	
H shares (Overseas listed foreign shares)	<u>630,881,400.00</u>						<u>630,881,400.00</u>	
Total	<u><u>2,232,349,400.00</u></u>	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>	<u><u>2,232,349,400.00</u></u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXVI) Capital reserve***

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Capital premium				
(Share premium)	559,458,789.57			559,458,789.57
Other capital reserve	<u>384,072,654.53</u>			384,072,654.53
Total	<u>943,531,444.10</u>			943,531,444.10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXXVII) Other comprehensive income**

Item	Balance at the end of last year	Amount before income tax for the period	Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income	Amount for the period		Closing balance
				Less: Income tax	Attributable to the Company after tax	
1. Other comprehensive income that will not be reclassified to profit or loss	-233,368,135.71	31,130,592.24			31,130,592.24	-202,237,543.47
Including: Changes in fair value of investments in other equity instruments	-233,368,135.71	31,130,592.24			31,130,592.24	-202,237,543.47
2. Other comprehensive income that will be reclassified to profit or loss	287,351.93					287,351.93
Including: Exchange differences from translation of foreign currency financial statements	287,351.93					287,351.93
Total other comprehensive income	-233,080,783.78	31,130,592.24			31,130,592.24	-201,950,191.54

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXVIII) Surplus reserve***

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	22,477,267.06	_____	_____	22,477,267.06
Total	<u>22,477,267.06</u>	<u>_____</u>	<u>_____</u>	<u>22,477,267.06</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***(XXXIX) Undistributed profits*

Item	Amount for period	Amount for the previous period
Undistributed profits at end of last year before adjustment	-2,872,034,688.32	-2,953,332,667.89
Adjustment for undistributed profits at beginning of year (“+” for plus; “-” for less)		
Undistributed profits at beginning of year after adjustment	-2,872,034,688.32	-2,953,332,667.89
Add: Net profit attributable to owners of the Company during the period	45,137,061.38	202,029,611.62
Less: Withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserve		
Dividend payable on ordinary shares		
Ordinary shares dividends transferred to share capital		
Others decreases		
Undistributed profits at end of period	-2,826,897,626.94	-2,751,303,056.27

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XL) Operating revenue and operating costs****1. Operating revenue and operating costs by main categories*

Item	Amount for period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Principal businesses	1,046,460,038.35	953,041,269.46	1,148,086,553.01	962,808,239.96
Including: Photovoltaic glass	630,405,748.67	551,913,757.67	445,018,560.48	313,623,642.04
Solar cells and components	202,456,367.28	210,618,464.22	439,979,793.69	415,268,357.47
New materials	201,524,257.61	186,679,751.03	176,706,106.83	157,398,457.36
Revenue from power stations	11,309,513.84	3,636,948.39	11,758,644.80	7,251,807.92
Trading and others	764,150.95	192,348.15	74,623,447.21	69,265,975.17
Other businesses	40,686,697.75	34,377,014.81	19,194,380.42	5,745,783.34
Including: Sales of materials	29,142,398.66	28,385,944.97	7,556,517.42	219,489.73
Premises leasing	5,126,256.39	1,328,121.48	5,962,388.40	2,424,118.41
Sales of scraps	1,443,087.71		1,403,699.53	
Others	4,974,954.99	4,662,948.36	4,271,775.07	3,102,175.20
Total	<u>1,087,146,736.10</u>	<u>987,418,284.27</u>	<u>1,167,280,933.43</u>	<u>968,554,023.30</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XL) Operating revenue and operating costs (Continued)

2. Operating revenue by timing of revenue recognition

Timing of revenue recognition	Photovoltaic		Solar cells and	Other operating
	glass	New materials	components	revenue
Recognised at a time-point	<u>630,405,748.67</u>	<u>201,524,257.61</u>	<u>202,456,367.28</u>	<u>47,634,106.15</u>
Recognised during a period of time	<u> </u>	<u> </u>	<u> </u>	<u>5,126,256.39</u>

3. Operating revenue by reporting segments

Revenue category	Solar		Others	Total
	photovoltaic business	New materials business		
Principal operating revenue	844,171,629.79	201,524,257.61	764,150.95	1,046,460,038.35
Other operating revenue	<u> </u>	<u> </u>	<u>40,686,697.75</u>	<u>40,686,697.75</u>
Total	<u>844,171,629.79</u>	<u>201,524,257.61</u>	<u>41,450,848.70</u>	<u>1,087,146,736.10</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLI) Taxes and surcharges***

Item	Amount for period	Amount for the previous period
Real estate tax	2,764,747.72	2,827,888.51
Land use tax	1,010,575.80	1,032,425.04
Water conservancy construction funds	604,568.59	414,512.32
Municipal maintenance tax	277,894.60	1,034,510.38
Education surcharge	198,496.08	508,266.90
Stamp duty and others	572,211.85	1,955,271.99
Total	5,428,494.64	7,772,875.14

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLII) Selling expenses***

Item	Amount for period	Amount for the previous period
Transportation expenses	27,769,160.23	27,342,459.74
Payroll	2,503,740.96	2,643,455.20
Commission	635,651.11	802,415.04
Traveling expenses	757,049.05	961,055.65
Advertisement fees	432,121.35	691,075.58
Entertainment fees	265,989.51	279,286.18
Consultancy expenses	77,900.74	1,609,421.62
Others	665,553.74	2,850,486.37
	33,107,166.69	37,179,655.38
Total	33,107,166.69	37,179,655.38

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLIII) Administrative expenses***

Item	Amount for period	Amount for the previous period
Loss on shutdown	14,018,098.36	6,163,395.98
Repair maintenance expenses	12,479,704.12	11,212,142.92
Depreciation	10,091,074.26	6,455,314.19
Payroll	9,891,437.68	14,782,908.19
Amortisation of intangible assets	2,841,369.90	2,890,306.44
Lease fees	2,106,864.01	558,283.73
Traveling expenses	819,007.95	1,145,075.34
Testing fees	749,310.58	
Property management expenses	497,131.31	
Office expenses	481,289.97	
Consultancy expenses	337,813.12	1,036,414.13
Insurance	323,980.74	151,866.87
Entertainment fees	269,334.19	416,121.03
Utility fees	220,070.08	
Others	3,449,131.99	5,203,679.78
Total	<u>58,575,618.26</u>	<u>50,015,508.60</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLIV) Research and development expenses***

Item	Amount for period	Amount for the previous period
Materials costs	11,478,447.43	7,611,954.90
Payroll	7,384,852.44	6,190,120.07
Power expenses	3,619,816.84	3,006,037.55
Depreciation	172,534.20	178,981.63
Development and manufacture expenses for mould and technical equipment	126,738.25	392,147.70
Others	217,935.22	952,292.69
Total	23,024,159.76	18,331,534.54

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLV) Finance costs***

Item	Amount for period	Amount for the previous period
Interest expenses	44,795,136.31	38,197,559.40
Including: Interest expenses for lease liabilities	534,724.82	
Less: Interest income	1,182,048.30	782,621.13
Exchange losses or gains	-1,185,013.02	-6,127,947.10
Others	9,959,614.86	1,284,121.27
Total	52,387,689.85	32,571,112.44

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLVI) Other incomes***

Item	Amount for period	Amount for the previous period
Subsidy for shutdown of Xianyang Photovoltaic	95,107,400.00	
Research and development and application of technologies on phosphor powder for triphosphor energy-saving lamps with small particles and low consumption and its industrialization	2,430,000.00	
Research and development and industrialization of photoreceptive electrode pulps for PDP	1,927,108.31	798,994.20
Subsidies granted by Economic and Trade Bureau of Xinzhan District (新站區經貿發展局) under subsidy policy for photovoltaic power generation	1,769,745.00	
Special subsidies on industrial transformation and upgrading in Shaanxi province granted to the photoresists production line construction project	1,320,000.00	
Subsidies granted by Hefei municipal government for distributed power generation projects	1,200,000.00	
Local government incentives	775,348.92	775,348.92
Infrastructure subsidies		26,127,225.00
Subsidies for supporting robots project		1,514,900.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLVI) Other incomes (Continued)***

Item	Amount for period	Amount for the previous period
Special funds for awarding advancement of stable industrial growth and increasing benefits from investment in 2016		1,000,000.00
Sub-total	1,201,833.77	716,212.52
Total	105,731,436.00	30,932,680.64

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLVII) Investment gains***

Item	Amount for period	Amount for the previous period
Long-term equity investment gains measured under equity method	559,226.09	-230,771.66
Investment gains from disposal of long-term equity investment		144,153,897.33
Investment gains from disposal of held-for- trading financial assets	358,344.24	336,894.91
Income from derecognition of financial asset at amortized cost	-1,908,103.12	-1,300,446.72
Total	-990,532.79	142,959,573.86

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLVIII) Gains from changes in fair value***

The source of gains from changes in fair value	Amount for period	Amount for the previous period
Held-for-trading financial assets	<u>39,390.82</u>	<u>215,036.56</u>
Total	<u><u>39,390.82</u></u>	<u><u>215,036.56</u></u>

(IL) Credit impairment losses

Item	Amount for period	Amount for the previous period
Losses on bad debts of accounts receivable	<u>-1,375,283.46</u>	<u>-695,722.81</u>
Total	<u><u>-1,375,283.46</u></u>	<u><u>-695,722.81</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(L) Non-operating income**

Item	Amount for period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Forfeiture income	8,770.60		8,770.60
Gains on debt restructuring		20,000.00	
Others	20,016.70	77,298.86	20,016.70
Total	28,787.30	97,298.86	28,787.30

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LI) Non-operating expenses**

Item	Amount for period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Losses on destroy or scrap of non-current assets	76,333.93		76,333.93
Delinquency charges	14,618.43		14,618.43
Penalty expenses	500.00		500.00
Others	33,289.76	87,857.45	33,289.76
Total	124,742.12	87,857.45	124,742.12

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LII) Income tax expenses***1. *List of income tax expenses*

Item	Amount for period	Amount for the previous period
Income tax expenses for the current period	-901,022.74	5,073,386.26
Deferred income tax expenses	-199,392.26	34,831.70
Total	<u>-1,100,415.00</u>	<u>5,108,217.96</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LII) Income tax expenses (Continued)**

2. *Adjustment of accounting profit and income tax expenses*

Item	Amount for period
Total profit	30,514,378.38
Income tax expenses calculated based on the statutory/applicable tax rate	7,628,594.59
Impact of different applicable tax rates to subsidiaries	1,351,310.48
Impact of non-taxable income	-1,001,213.69
Impact of cost, expenses and losses not deductible for tax	480,513.77
Impact of deductible loss of deferred income tax assets not recognized at the beginning of the period	-15,264,563.34
Impact of deductible temporary differences or deductible loss of deferred income tax assets not recognized for the period	5,704,943.20
Income tax expenses	-1,100,415.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIII) Statement of cash flows****1. Cash received relating to other operating activities*

Item	Amount for period	Amount for the previous period
Interest income	1,182,048.30	6,814,811.54
Government subsidies received	5,165,093.92	2,917,100.00
Recovery of accounts receivable, deposits and others	589,037,166.27	9,783,505.03
Total	595,384,308.49	19,515,416.57

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIII) Statement of cash flows (Continued)****2. Cash paid relating to other operating activities*

Item	Amount for period	Amount for the previous period
Transportation expenses	27,863,044.88	28,641,346.81
Agency expenses	1,470,000.00	2,888,189.60
Traveling expenses	1,080,828.81	2,158,433.60
Commission and handling fees	525,723.11	2,427,365.50
Office expenses	437,326.54	348,564.46
Lease and property management expenses	420,216.56	4,122,613.02
Advertisement fees	318,165.85	20,212.30
Insurance	205,464.91	543,479.93
Others	11,958,576.51	10,447,039.39
Payment of accounts payable, deposits and others	420,705,811.22	174,600,880.22
Total	464,985,158.39	225,198,124.83

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIII) Statement of cash flows (Continued)****3. Cash received relating to other investing activities*

Item	Amount for period	Amount for the previous period
Investment in shares	1,334,699.71	9,873.32
Deposits for projects	_____	490,000.00
Total	<u>1,334,699.71</u>	<u>499,873.32</u>

4. Cash paid relating to other investing activities

Item	Amount for period	Amount for the previous period
Payment for purchase of shares	353,152.27	1,155,716.37
Deposits	_____	36,992,623.49
Total	<u>353,152.27</u>	<u>38,148,339.86</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LIII) Statement of cash flows (Continued)**5. *Cash received relating to other financing activities*

Item	Amount for period	Amount for the previous period
Borrowing received from IRICO Group Corporation Limited and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團 控股有限公司)	<u>753,000,000.00</u>	<u>30,390,047.21</u>
Total	<u><u>753,000,000.00</u></u>	<u><u>30,390,047.21</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIII) Statement of cash flows (Continued)***6. *Cash paid relating to other financing activities*

Item	Amount for period	Amount for the previous period
Repayment of borrowings from IRICO Group Corporation Limited * (彩虹集團有限公司)	651,000,000.00	
Premises rental	514,961.12	
Expenses relating to loans	_____	19,339,400.00
Total	651,514,961.12	19,339,400.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIV) Supplementary information on statement of cash flows****1. Supplementary information on statement of cash flows*

Supplementary information	Amount for period	Amount for the previous period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	31,614,793.38	221,169,015.73
Add: Credit impairment losses	1,375,283.46	695,722.81
Provision for assets impairment		
Depreciation of fixed assets	60,210,314.42	34,212,731.17
Amortisation of intangible assets	4,258,752.30	4,256,060.97
Amortisation of long-term deferred expenses	4,419,236.55	1,787,307.86
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)		
Loss on retirement of fixed assets ("-" denotes gain)		
Loss on changes in fair value ("-" denotes gain)	-39,390.82	-215,036.56
Finance expenses ("-" denotes gain)	44,795,136.31	39,498,006.12
Investment losses ("-" denotes gain)	990,532.79	-144,260,020.58
Decrease in deferred income tax assets ("-" denotes increase)	-184,451.50	86,250.39
Increase in deferred income tax liabilities ("-" denotes decrease)	-14,940.76	56,482.14

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIV) Supplementary information on statement of cash flows
(Continued)******1. Supplementary information on statement of cash flows
(Continued)***

Supplementary information	Amount for period	Amount for the previous period
Decrease in inventories ("-" denotes increase)	-9,887,228.37	73,053,587.45
Decrease in operating receivables ("-" denotes increase)	-33,830,264.52	-514,261,447.18
Increase in operating payables ("-" denotes decrease)	94,537,505.40	316,241,181.62
Others		
Net cash flows from operating activities	198,245,278.64	32,319,841.94
2. Major investing and financing activities not involving cash settlements		
Conversion of debts to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents		
Closing balance of cash	62,511,307.01	92,803,188.20
Less: Opening balance of cash	128,620,277.04	233,413,663.85
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-66,108,970.03	-140,610,475.65

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIV) Supplementary information on statement of cash flows
(Continued)****2. Composition of cash and cash equivalents*

Item	Closing balance	Balance at the end of last year
I. Cash	62,511,307.01	128,620,277.04
Including: Cash on hand	8,273.58	96,441.84
Bank deposits readily available for payment	62,503,033.43	86,106,507.12
Other monetary funds readily available for payment		42,417,328.08
Deposits with the central bank available for payment		
Deposits with banks and other financial institutions		
Loans from banks and other financial institutions		
II. Cash equivalents		
Including: Bond investment due in three months		
III. Closing balance of cash and cash equivalents	62,511,307.01	128,620,277.04
Including: restricted cash and cash equivalents of the Company or subsidiaries within the Group		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(LV) Assets with restricted ownerships or right to use**

Item	Closing carrying amount	Reason for such restrictions
Cash at bank and on hand	191,608,768.59	Deposit
Bills receivable	4,000,000.00	Pledge of bills
Other investments in equity instruments	177,232,121.73	Equity pledged
Fixed assets	402,961,784.02	borrowings
Intangible assets	22,108,925.32	Mortgage loan
	22,108,925.32	Mortgage loan
Total	797,911,599.66	

(LVI) Foreign currency items

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			12,287,265.67
Including: USD	1,255,914.26	6.8747	8,634,033.76
EUR	455,242.63	7.8170	3,558,631.64
HKD	107,536.97	0.8797	94,600.27
Accounts receivable	1,247,243.68		8,574,426.14
Including: USD	1,247,243.68	6.8747	8,574,426.14

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVII) Earnings per share***

Basic earnings per share is calculated by dividing net profit of the year attributable to holders of ordinary shares of the Company by weighted average number of ordinary shares in issue of the Company.

Calculation of the basic and diluted earnings per share is set out as follows:

Item	Earnings per share (RMB)	
	January-June 2019	January-June 2018
Earning: Net profit attributable to holders of ordinary shares of the Company	45,137,061.38	202,029,611.62
Shares: weighted average number of ordinary shares in issue of the Company	<u>2,232,349,400.00</u>	<u>2,232,349,400.00</u>
Earnings per share	<u>0.02</u>	<u>0.09</u>

As of 30 June 2019, diluted earnings per share were equal to the basic earnings per share since the Company has no dilutive potential ordinary shares.

(LVIII) Interim dividend

As of 30 June 2019, the Board did not declare any interim dividend.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VI. CHANGE IN SCOPE OF CONSOLIDATION

None.

VII. INTERESTS IN OTHER ENTITIES**(I) Interests in subsidiaries**1. *Composition of enterprise group*

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method for acquisition
				Direct	Indirect	
Shaanxi IRICO New Material Co., Ltd*	Xianyang, Shaanxi	Xianyang, Shaanxi	Production and sales of fluorescent powder for color picture tube	76.31		Investment in establishment
Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹佳潤澤礦業有限公司)	Hanzhong, Shaanxi	Hanzhong, Shaanxi	Mining exploration	51.00		Business combination not involving enterprises under common control
IRICO (Hefei) Photovoltaic Co., Ltd.*	Hefei, Anhui	Hefei, Anhui	Production and sales of PV glass	100.00		Investment in establishment
IRICO Group Electronics (Hong Kong) Company Limited	Hong Kong	Xianyang, Shaanxi	Investment holding	100.00		Investment in establishment
Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司)	Xianyang, Shaanxi	Xianyang, Shaanxi	Operation of solar photovoltaic power stations	100.00		Investment in establishment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(I) Interests in subsidiaries (Continued)***1. Composition of enterprise group (Continued)*

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method for acquisition
				Direct	Indirect	
Nanjing IRICO New Energy Co., Ltd.* (南京彩虹新能源有限公司)	Nanjing, Jiangsu	Nanjing, Jiangsu	Operation of solar photovoltaic power stations		100.00	Investment in establishment
IRICO Yan'an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司)	Yan'an, Shaanxi	Yan'an, Shaanxi	Production and sales of PV glass, Operation of solar photovoltaic power stations	100.00		Investment in establishment
Jiangsu IRICO Yongneng New Energy Company Limited*	Zhangjiagang, Jiangsu	Zhangjiagang, Jiangsu	Solar cells, solar cell modules	51.00		Business combination not involving enterprises under common control
Shaanxi IRICO Xinneng Glass Co., Ltd.* (陕西彩虹新能源有限公司)	Xianyang, Shaanxi	Xianyang, Shaanxi	Production and sales of inorganic non-metallic materials and products	100.00		Investment in establishment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(I) Interests in subsidiaries (Continued)***2. Significant non-wholly owned subsidiaries*

Name of subsidiary	Minority shareholder's shareholding ratio (%)	Profit or loss attributable to minority interests in the current period	Dividends distributed to minority shareholder in the current period	Closing balance of minority interests
Shaanxi IRICO New Material Co., Ltd*	23.69	2,472,076.57		63,501,926.56
Jiangsu IRICO Yongneng New Energy Company Limited*	49.00	-13,604,065.05		41,487,978.70

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(I) Interests in subsidiaries (Continued)***3. Main financial information of significant non-wholly owned subsidiaries*

Name of subsidiary	Current assets	Closing balance				Total liabilities
		Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Shaanxi IRICO New Material Co., Ltd*	427,883,002.81	49,353,911.06	477,236,913.87	197,802,062.78	11,381,129.88	209,183,192.66
Jiangsu IRICO Yongneng New Energy Company Limited*	355,930,565.58	163,386,773.84	519,317,339.42	433,998,028.62	649,966.52	434,647,995.14

Name of subsidiary	Current assets	Balance at the end of last year				Total liabilities
		Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Shaanxi IRICO New Material Co., Ltd*	395,625,618.35	33,672,159.60	429,297,777.95	158,094,363.13	13,584,799.45	171,679,162.58
Jiangsu IRICO Yongneng New Energy Company Limited*	417,126,974.32	165,926,248.87	583,053,223.19	469,955,573.57	664,907.28	470,620,480.85

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(I) Interests in subsidiaries (Continued)**3. *Main financial information of significant non-wholly owned subsidiaries (Continued)*

Name of subsidiary	Amount for the period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shaanxi IRICO New Material Co., Ltd*	210,541,139.55	10,435,105.84	10,435,105.84	-4,159,111.38
Jiangsu IRICO Yongneng New Energy Company Limited*	222,161,488.94	-27,763,398.06	-27,763,398.06	-61,019,504.18

Name of subsidiary	Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shaanxi IRICO New Material Co., Ltd*	200,186,189.43	15,670,519.83	15,670,519.83	-13,603,537.17
Jiangsu IRICO Yongneng New Energy Company Limited*	449,393,489.09	32,776,452.71	32,776,452.71	30,277,294.97

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(II) Interests in joint arrangements or associates***1. Significant associates*

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Accounting method for investment in joint ventures or associates
				Direct	Indirect	
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	Zhuhai	Zhuhai	Manufacturing of home appliances and electronic components	49.00		Equity method

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(II) Interests in joint arrangements or associates (Continued)***2. Main financial information on significant associates*

	Closing balance/ Amount for the period	Balance at the end of last year/Amount for the previous period
	Zhuhai Caizhu Industrial Co., Ltd.*	Zhuhai Caizhu Industrial Co., Ltd.*
	(珠海彩珠實業有限公司)	(珠海彩珠實業有限公司)
Current assets	119,160,603.93	202,788,375.28
Non-current assets	12,615,738.73	11,129,863.21
Total assets	131,776,342.66	213,918,238.49
Current liabilities	19,258,251.68	102,898,110.71
Non-current liabilities		
Total liabilities	19,258,251.68	102,898,110.71
Minority interests		
Equity attributable to shareholders of the Company	112,518,090.98	111,020,127.78
Net assets share calculated by percentage of shareholding	55,133,864.58	54,399,862.61
Adjustments	70,635,409.70	70,635,409.70
– Goodwill		
– Unrealized profit in internal transactions		
– Others	70,635,409.70	70,635,409.70
Carrying amount of equity investments in associates	125,769,274.28	125,035,272.31
Operating income	2,808,368.90	36,890,499.56
Net profit	1,497,963.20	736,257.05
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	1,497,963.20	736,257.05
Dividends from received associates in the current period		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(II) Interests in joint arrangements or associates (Continued)***3. Summarised financial information of insignificant joint ventures and associates*

	Closing balance/ Amount for the period	Balance at the end of last year/Amount for the previous period
Joint ventures:		
Total carrying amount of investments	35,412,543.24	35,479,976.50
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-67,433.26	-33,120.70
– Other comprehensive income		
– Total comprehensive income	-67,433.26	-33,120.70
Associates:		
Total carrying amount of investments	18,703,827.74	18,811,170.36
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-107,342.62	-174,775.88
– Other comprehensive income		
– Total comprehensive income	-107,342.62	-174,775.88

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS

(I) Credit risk

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations and causes financial losses to the other. The Company is mainly facing customer credit risk caused by credit sales. Before the signing of the new contract, the Company will evaluate the credit risk of the new customer, including the external credit rating and, in some cases, the bank credit certificate (when this information is available). The Company sets a credit limit for each customer, which is the maximum amount that does not require additional approval.

The Company ensures that the Company's overall credit risk is within control of the company through quarterly monitoring of existing customer credit ratings and monthly review of accounts receivable aging analysis. When monitoring the customer's credit risk, we group them according to their credit characteristics. Customers rated as "high-risk" will be placed on the list of restricted customers, and the Company can only sell them on the premise of additional approval, otherwise they must be required to pay the relevant amounts in advance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(II) Market risk**

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes exchange rate risk, interest rate risk and other price risk.

(1) Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market interest rate. The Company's interest rate risk mainly arises from long-term bank borrowings. The Company may utilize interest rate swaps to achieve the expected interest rate structure. Although the policy cannot completely prevent the risk that the interest rate paid by the Company exceeds the prevailing market interest rate, or completely eliminate the cash flow risk related to the fluctuation of interest payment, the management believes that the policy achieved a reasonable balance between these risks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Market risk (Continued)

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The company tries to match the income and expenditure in foreign currencies in order to reduce the exchange rate risk. In addition, the Company may consider entering into forward exchange contract or currency swap contract to mitigate the foreign exchange risk. During the period and the previous period, the Company has not entered into any forward exchange contract or currency swap contract.

(3) Other price risk

Given that the Company holds equity investments in other listed companies, the management is of the view that the market price risks arising from such investment activities are tolerable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(III) *Liquidity risk***

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery. The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(III) Liquidity risk (Continued)**

The financial liabilities of the Company are analysed by their maturity date below at their undiscounted contractual cash flows:

Items	Closing balance of the period			Total
	Within 1 year	1–5 years	Over 5 years	
Short-term borrowings	411,000,000.00			411,000,000.00
Bills payable	547,331,168.64			547,331,168.64
Accounts payable	998,824,511.23			998,824,511.23
Other payables	1,545,686,278.69			1,545,686,278.69
Non-current liabilities due within one year	541,311,367.52			541,311,367.52
Long-term borrowings		158,501,800.00		158,501,800.00
Long-term payables		268,240,435.83		268,240,435.83
Total	<u>4,044,153,326.08</u>	<u>426,742,235.83</u>		<u>4,470,895,561.91</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(III) Liquidity risk (Continued)**

Items	Balance at the end of last year			Total
	Within 1 year	1-5 years	Over 5 years	
Short-term borrowings	434,252,466.63			434,252,466.63
Bills payable	490,689,505.29			490,689,505.29
Accounts payable	889,384,282.44			889,384,282.44
Other payables	1,539,489,454.26			1,539,489,454.26
Non-current liabilities due within one year	497,519,566.90			497,519,566.90
Long-term borrowings		595,375,744.44		595,375,744.44
Long-term payables		<u>7,000,000.00</u>		<u>7,000,000.00</u>
Total	<u>3,851,335,275.52</u>	<u>602,375,744.44</u>		<u>4,453,711,019.96</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

IX. DISCLOSURE OF FAIR VALUE

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the relevant assets or liabilities other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

Levels of the results of fair value measurement are decided by the lowest level of great significance in fair value measurement as a whole.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***IX. DISCLOSURE OF FAIR VALUE (CONTINUED)****(I) Fair value of assets and liabilities measured at fair value as at the end of the period**

Items	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuing fair value measurement				
◆ Held-for-trading financial assets	112,875.58			112,875.58
1. Financial assets at fair value through profit and loss				
(1) Investment in debt instruments				
(2) Investment in equity instruments	112,875.58			112,875.58
(3) Derivative financial assets				
◆ Other investment in equity instruments	177,232,121.73		103,908,078.93	281,140,200.66
◆ Other non-current financial assets				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

(II) *Basis for determining the market price of items persistently and non-persistently measured at fair value at the first level*

The Company's investments in equity instruments which are persistently measured at level 1 fair value at the end of the period are publicly issued shares, and the fair value at the end of the period represents the share price as at 30 June 2019. The other investments in equity instruments measured at level 1 fair value are publicly issued shares of IRICO Display Devices Co., Ltd.* held by the Company not for short-term trading, and the fair value at the end of the period represents the share price as at 30 June 2019.

(III) *Nature and quantitative information of valuation techniques and key parameters adopted for items persistently and non-persistently measured at fair value at the third level*

Other investments in equity instruments held by the Company which are measured at level 3 fair value represent 7.3% equity interest in Shaanxi Caihong Electronics Glass Co., Ltd., which is an unlisted company. Fair value is determined by using the net asset basis method as of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES****(I) Information on the parent company of the Company**

Name of the parent company	Place of registration	Nature of Business	Registered Capital	Percentages of shareholding in the Company held by the parent company	Percentages of voting rights in the Company held by the parent company
				(%)	(%)
IRICO Group Corporation Limited * (彩虹集團有限公司)	Beijing	Production and sales of Electronic components	2,517,167,000	71.74	71.74

The ultimate controller: China Electronics Corporation*

(II) Information on the subsidiaries of the Company

Please refer to Note “VII. Interest in other entities” for details of the information on the subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(III) Information on associates and joint ventures of the Company**

Please refer to Note “VII. Interest in other entities” for details of the major associates and joint ventures of the Company.

(IV) Information on other related parties

Name of other related parties	Relationship between other related party and the Company
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Same de facto controller
Hefei IRICO Epilight Technology Co., Ltd. (合肥彩虹藍光科技有限公司)	Same parent company
Xianyang IRICO Optoelectronics Technology Co., Ltd. (咸陽彩虹光電科技有限公司)	Other related relationship
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.* (咸陽彩虹光伏科技有限公司)	Other related relationship
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Other related relationship
Xianyang Caiqin Electronics Device Co., Ltd. (咸陽彩秦電子器件有限責任公司)	Other related relationship
Xianyang IRICO Labour Service Company (咸陽彩虹勞動服務公司)	Other related relationship
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	An associated company of shareholders

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(IV) Information on other related parties (Continued)**

Name of other related parties	Relationship between other related party and the Company
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司)	Same de facto controller
Panda Xinxing Industrial Co., Ltd. (南京熊貓新興實業有限公司)	Same de facto controller
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Same de facto controller
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司)	Same de facto controller
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	Same de facto controller
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Same de facto controller
Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	Same de facto controller
Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊貓物業管理有限公司)	Same de facto controller
Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	Same de facto controller
Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	Same de facto controller
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	Same de facto controller

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**(IV) Information on other related parties (Continued)**

Name of other related parties	Relationship between other related party and the Company
Nanjing CEC Panda LCD Technology Co., Ltd. (南京中電熊貓液晶顯示科技有限公司)	Same de facto controller
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Same de facto controller
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	Same de facto controller
Xi'an IRICO Information Co., Ltd. (西安彩虹資訊有限公司)	Same de facto controller
China Electronics Financial Co., Ltd. (中國電子財務有限公司)	Same de facto controller
Xianyang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	Same de facto controller
IRICO Electronics Materials Company (彩虹電子物資公司)	Same de facto controller
Xianyang IRICO Hospital (咸陽彩虹醫院)	Same de facto controller
Yangjiang IRICO Shenggao Green Energy Co., Ltd. (陽江彩虹勝高綠色能源有限公司)	Same de facto controller

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions**

1. *Related party transactions for purchase and sales of goods/provision and receipt of services*

Sales of goods/provision of services

Related parties	Subject	Amount for the period	Amount for the previous period
Xianyang IRICO Optoelectronics Technology Co., Ltd. (咸陽彩虹光電科技有限公司)	Sales of goods	14,732,340.00	
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Sales of goods	5,021,882.11	3,102,175.20
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊猫平板顯示科技有限公司)	Provision of services	3,949,920.07	9,310,400.00
Panda Xinxing Industrial Co., Ltd. (南京熊猫新興實業有限公司)	Provision of services	1,182,918.73	739,444.76
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Sales of goods	1,165,976.64	216,101.88
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	Provision of services	169,811.34	169,811.32

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***1. Related party transactions for purchase and sales of goods/provision and receipt of services (Continued)*

Sales of goods/provision of services (Continued)

Related parties	Subject	Amount for the period	Amount for the previous period
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	Provision of services	84,905.65	70,754.70
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Sales of goods		13,244,582.46
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯 示科技有限公司)	Sales of goods		14,019,392.00
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Sales of goods		6,152,817.89

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***1. Related party transactions for purchase and sales of goods/provision and receipt of services (Continued)*

Purchase of goods/Receipt of services

Related parties	Subject	Amount for the period	Amount for the previous period
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Purchase of goods	70,040,187.33	57,706,127.01
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Purchase of goods	19,938,696.29	25,241,868.16
Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	Purchase of goods	11,371,438.58	10,324,572.66
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	Utility fees	34,604,822.82	33,989,656.01
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Purchase of goods	11,024,983.95	16,978,991.36
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Lease payments	625,821.38	540,321.48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)**1. *Related party transactions for purchase and sales of goods/provision and receipt of services (Continued)*

Purchase of goods/Receipt of services (Continued)

Related parties	Subject	Amount for the period	Amount for the previous period
Xianyang Photovoltaic Technology Co., Ltd.* (咸陽光伏科技有限公司)	Utility fees	158,947.14	123,014.88
Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊猫物業管理有限公司)	Provision of services	128,490.56	150,326.47
Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	Property management fee	112,678.74	18,779.79
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	Telephone bills	16,112.22	777,950.12
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Purchase of goods	8,370.94	1,368,579.19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***2. Leasing with related parties*

The Company as the lessor:

Name of lessee	Type of leased asset	Income recognized from leasing for the period	Income recognized from leasing for the previous period
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Premises leasing	2,904,537.72	2,173,024.50
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Premises leasing	80,541.51	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)**2. *Leasing with related parties (Continued)*

The Company as the lessee:

Name of lessor	Type of leased asset	Relevant fees recognized from leasing for the previous period	Relevant fees recognized from leasing for the period
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Premises leasing		540,321.48
Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	Premises leasing		33,990.09
Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	photovoltaic power station		81,818.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties*

The Company as a guaranteed party:

Guarantor	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	70,000,000.00	2019.1.9	One year commencing from the expiry date of the performance period of debt	Yes
IRICO Group Corporation Limited * (彩虹集團有限公司)	50,000,000.00	2018.6.15	Two years commencing from the expiry date of the performance period of debt	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited * (彩虹集團有限公司)	20,000,000.00	2019.4.30	One year commencing from the expiry date of the performance period of debt	Yes
IRICO Group Corporation Limited * (彩虹集團有限公司)	100,000,000.00	2018.7.24	The expiry date of the performance period of debt	No
IRICO Group Corporation Limited * (彩虹集團有限公司)	30,000,000.00	2018.10.8	Two years commencing from the expiry date of the performance period of debt	No
IRICO Group Corporation Limited * (彩虹集團有限公司)	1,000,000.00	2016.6.30	Two years commencing from the expiry date of the performance period of debt	No
IRICO Group Corporation Limited * (彩虹集團有限公司)	300,000,000.00	2016.12.15	Three years commencing from the expiry date of the performance period of debt	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(V) Related party transactions (Continued)

3. Guarantee with related parties (Continued)

The Company as a guaranteed party: (Continued)

Guarantor	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
IRICO Group Corporation Limited * (彩虹集團有限公司)	800,000,000.00	2016.4.29	Two years commencing from the expiry date of the performance period of debt	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) and IRICO Group Corporation Limited * (彩虹集團有限公司)	50,000,000.00	2018.4.2	Two years commencing from the expiry date of the performance period of debt	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) and IRICO Group Corporation Limited * (彩虹集團有限公司)	50,000,000.00	2018.4.9	Two years commencing from the expiry date of the performance period of debt	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) and IRICO Group Corporation Limited * (彩虹集團有限公司)	110,000,000.00	2018.4.16	Two years commencing from the expiry date of the performance period of debt	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) and IRICO Group Corporation Limited * (彩虹集團有限公司)	200,000,000.00	2018.10.10	Six months commencing from the expiry date of the performance period of debt	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	150,000,000.00	2019.1.22	Two years commencing from the expiry date of the performance period of debt	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties (Continued)*

The Company as a guaranteed party: (Continued)

Guarantor	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中 電彩虹集團控股有限公司)	300,000,000.00	2017.9.1	Two years commencing from the expiry date of the performance period of debt	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中 電彩虹集團控股有限公司)	50,000,000.00	2018.8.31	Two years commencing from the expiry date of the performance period of debt	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中 電彩虹集團控股有限公司)	42,000,000.00	2018.8.15	Three years commencing from the expiry date of the performance period of debt	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中 電彩虹集團控股有限公司)	50,000,000.00	2019.2.19	Two years commencing from the expiry date of the performance period of debt	No
IRICO Group Corporation Limited * (彩虹集團有限公司), IRICO Group New Energy Company Limited* (彩虹集 團新能源股份有限公司)	46,000,000.00	2018.12.20	Two years commencing from the expiry date of the performance period of debt	No
IRICO Group New Energy Company Limited* (彩虹集團 新能源股份有限公司), IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司) and IRICO Group Corporation Limited * (彩虹集團有限公司)	53,500,000.00	2019.2.25	Two years commencing from the expiry date of the performance period of debt	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)**

4. Borrowings from or lending to related parties

Related parties	Amount of borrowing or lending	Commencement date	Maturity date	Interest rate
Borrowing				
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	106,114,055.83	2018.12.21	2019.12.20	3.48%
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	40,000,000.00	2018.12.14	2019.12.20	5.50%
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	30,000,000.00	2018.12.19	2019.12.20	5.50%
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	351,000,000.00	2019.2.18	2020.2.17	3.48%
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	300,000,000.00	2019.2.18	2020.2.17	1.20%
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	100,000,000.00	2019.2.18	2020.2.17	5.50%
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	30,000,000.00	2019.1.1	2019.12.31	4.35%
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	40,000,000.00	2019.4.21	2019.12.31	4.35%
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	10,000,000.00	2019.1.1	2019.12.31	4.35%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***5. Other Related Party Transactions*

- (1) Compensation to Xianyang Zhongdian IRICO Group Holdings Ltd.* on shutdown of furnaces

Xianyang IRICO Photovoltaic Glass Factory (彩虹光伏玻璃廠) (“Xianyang Photovoltaic”), a subsidiary of the Company, is primarily engaged in production and sales of photovoltaic glass. It shut down two furnaces with a daily production volume of 250 tons in March 2017 and May 2019, respectively, due to service life of furnaces and out of consideration for economies of scale; and shut down one furnace with a daily production volume of 250 tons at the beginning of July 2017.

As the land of Xianyang Zhongdian IRICO Group Holdings Ltd.* (“Zhongdian Holdings”) leased and occupied for the shutdown of furnaces by Xianyang Photovoltaic will be purchased and reserved for development in the future, the Company failed to obtain support of IRICO Group Corporation Limited (the second largest shareholder of Zhongdian Holdings with CEC as its de facto controller) for the cold repair proposal, the fees on idle personnel and losses

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(V) Related party transactions (Continued)

5. Other Related Party Transactions (Continued)

- (1) Compensation to Xianyang Zhongdian IRICO Group Holdings Ltd.* on shutdown of furnaces (Continued)

on production suspension all exerted material impact on the Company. Upon mutual friendly negotiation, the “Compensation Framework Agreement” was signed in June 2019, which provides that Zhongdian Holdings will compensate the Company for the loss on work stoppages arising from production suspension and cold repair cessation of the above-mentioned furnaces with a total amount of RMB121,747,400, of which, a compensation of RMB81,167,400 will be provided for the two furnaces shut down in March 2017 and a compensation of RMB40,580,000 will be provided for the loss on work stoppages to be incurred in the future for the furnace shut down on 31 May 2019.

In addition, a compensation of RMB13,940,000 was provided for the losses on the salaries and social insurance of idle personnel during the production suspension arising from the shutdown of the two furnaces in 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***5. Other Related Party Transactions (Continued)*

(2) The closing balance of the Company's deposits with China Electronics Financial Co., Ltd. amounted to RMB10,622,979.75, which generated deposit interest of RMB32,977.45 for the Company during the period; the closing balance of the Company's borrowings amounted to RMB90,000,000.00, which resulted in interest expenses of RMB2,177,174.99 during the period.

(3) Accounts receivable assignment

In order to explore new financing channels, on 24 May 2019, the Company, Hefei Photovoltaic and Shaanxi New Material entered into the Accounts Receivable Assignment Agreements with China Electronics Corporation* (中國電子信息產業集團有限公司) ("CEC") to transfer the subject assets to CEC at considerations of RMB14,238,601.45, RMB36,238,527.33 and RMB27,900,768.28, respectively. The Company disclosed the above related party transaction on 28 June 2019. On 16 July 2019, the matter was authorised, approved and ratified at the extraordinary general meeting of the Company and the Accounts Receivable

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(V) Related party transactions (Continued)

5. Other Related Party Transactions (Continued)

(3) Accounts receivable assignment (Continued)

Assignment Agreements were authorised and approved. The transfer of accounts receivable by the Company, Hefei Photovoltaic and Shaanxi New Material to CEC was approved; and any director of the Company or his proxy(ies) was authorised to proceed with and complete the matter. The Company received the consideration for the above accounts receivable assignment with a total of RMB78,377,897.06 in July 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties***1. Receivables from related parties*

Item	Related parties	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Accounts receivable	Xianyang IRICO Optoelectronics Technology Co., Ltd. (咸陽彩虹光電科技有限公司)	7,107,645.76		7,546,960.00	
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電影虹集團控股有限公司)	4,676,836.18		4,676,836.18	
	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司)	1,697,150.08		4,498,547.97	
	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	121,918.84			
	Nanjing CEC Panda LCD Technology Co., Ltd. (南京中電熊貓液晶顯示科技有限公司)			3,107,408.00	
	IRICO Group Corporation Limited * (彩虹集團有限公司)			7,137,268.75	
	Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)			4,342,692.00	
	Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)			80,541.51	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)**1. *Receivables from related parties (Continued)*

Item	Related parties	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Prepayments	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	1,605,000.00		956,000.00	
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電影虹集團控股有限公司)	6,100.04		17,000.59	
	Xianyang IRICO Labour Service Company (咸陽彩虹勞動服務公司)			56,710.54	
Other receivables	IRICO Group Corporation Limited * (彩虹集團有限公司)	11,986,809.94		87,795,221.49	
	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	18,438,721.42		18,000,000.00	
	IRICO New Energy (Changwu) Co., Ltd. (長武彩虹新能源有限公司)	2,750,000.00		1,650,000.00	
	IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	3,465,783.00		3,465,783.00	
	Xi'an IRICO Information Co., Ltd. (西安彩虹資訊有限公司)	3,127,691.14		3,127,691.14	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***1. Receivables from related parties (Continued)*

Item	Related parties	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
	Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司)	3,060,000.00		3,060,000.00	
	Hefei IRICO Epilight Technology Co., Ltd. (合肥彩虹藍光科技有限公司)	945,771.26		780,000.00	
	IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	950,000.00		450,000.00	
	Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	28,536.87			
	Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊貓物業管理有限公司)	23,945.71			
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)			90,000,000.00	
	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)			6,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties*

Item	Related parties	Closing balance	Balance at the end of last year
Short-term borrowings	China Electronics Financial Co., Ltd. (中國電子財務有限公司)	90,000,000.00	100,000,000.00
Bills payable	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	62,395,735.05	33,500,000.00
	Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	8,500,000.00	9,200,000.00
	Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	4,668,212.88	7,600,000.00
	Hefei IRICO Epilight Industry Co., Ltd. (合肥彩虹藍光實業有限公司)	270,000.00	270,000.00
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	200,000.00	700,000.00
	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)		11,804,031.53
Accounts payable	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	25,653,649.29	19,958,863.51
	Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	14,740,890.17	8,619,412.16

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties (Continued)*

Item	Related parties	Closing balance	Balance at the end of last year
	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	11,444,798.86	9,754,072.22
	Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	11,883,661.74	12,234,341.20
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	6,059,591.97	5,707,736.96
	IRICO Group Corporation Limited * (彩虹集團有限公司)	1,060,665.49	1,508,252.71
	Xianyang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	827,705.60	827,705.60
	Xi'an IRICO Information Co., Ltd. (西安彩虹 資訊有限公司)	780,708.17	780,708.17
	IRICO Electronics Materials Company (彩虹 電子物資公司)	78,049.42	780,049.42
	Xianyang IRICO Hospital (咸陽彩虹醫院)	65,984.00	69,745.50
	Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊猫物業 管理有限公司)	42,650.00	186,450.00
	Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.* (咸陽彩虹光伏科技 有限公司)	101,277.86	175,113.25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(VI) Receivables from and payables to related parties (Continued)

2. Payables to related parties (Continued)

Item	Related parties	Closing balance	Balance at the end of last year
	Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	19,906.58	136,265.41
	Xianyang IRICO Labour Service Company (咸陽彩虹勞動服務公司)	3,211.11	3,211.11
	Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司)	79.69	79.69
	Xianyang Caiqin Electronics Device Co., Ltd. (咸陽彩秦電子器件有限責任公司)	4,740,348.60	4,740,348.60
Other payables	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	874,498,032.31	177,056,069.57
	Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩 珠實業有限公司)	100,882,257.58	99,927,674.25
	IRICO Group Corporation Limited* (彩虹集 團有限公司)	88,033,996.13	671,993,191.55
	Kunshan IRICO Industry Co., Ltd. (昆山彩虹 實業有限公司)	43,012,274.29	42,652,778.11
	IRICO New Energy (Wuhan) Co., Ltd. (武漢 彩虹綠色能源有限公司)	10,406,002.65	10,406,002.65
	Xianyang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	7,493,798.40	7,883,156.51
	Yangjiang IRICO Shenggao Green Energy Co., Ltd. (陽江彩虹勝高綠色能源有限公司)	245,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties (Continued)*

Item	Related parties	Closing balance	Balance at the end of last year
	Hefei IRICO Epilight Industry Co., Ltd. (合肥彩虹藍光實業有限公司)	30,000.00	30,000.00
Contract liabilities	Shenmu Caijing Photovoltaics Power Generation Co., Ltd. (神木彩景光伏發電有限公司)	35,400,000.00	
	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)		1,330,350.01
Long-term borrowings due within one year	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	117,800,000.00	125,250,000.00
Long-term borrowings	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	11,280,000.00	160,450,000.00
Lease liabilities	Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	1,890,817.01	
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	16,423,025.42	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

XI. GOVERNMENT GRANTS

(I) Asset-related government grants

Type	Amount	Items included in balance sheet	Amount recorded in current profit or loss or offsetting relevant costs or losses	Amount for the previous period	Items recorded in current profit or loss or offsetting relevant costs or losses
			Amount for the period	period	or losses
Local government incentives	64,793,061.48	Deferred income	775,348.92	775,348.92	Other income
Special project on solar photovoltaic and semiconductor lighting development in Shaanxi Province	4,740,000.00	Deferred income	100,000.00		Other income
Project on quartz sand production lines	850,000.00	Deferred income	50,000.00	50,000.00	Other income
Project on the Display Devices Engineering and Technical Research Center in Shaanxi Province	4,165.87	Deferred income	30,000.03	35,000.04	Other income
Research and development and industrialization of phosphor powder for LCD backlight CCFLs	19,007.30	Deferred income	6,293.88	6,293.88	Other income
Research and development and industrialization of phosphor powder for high-performance PDP	229,695.20	Deferred income	50,923.20	52,632.60	Other income
Research and development and industrialization of photoreceptive electrode pulps for PDP	182,658.30	Deferred income	1,927,108.31	798,994.20	Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XI. GOVERNMENT GRANTS (CONTINUED)****(I) Asset-related government grants (Continued)**

Type	Amount	Items included in balance sheet	Amount recorded in current profit or loss or offsetting relevant costs or losses	Amount for the previous period	Items recorded in current profit or loss or offsetting relevant costs or losses
			Amount for the period	period	or losses
Research and development and industrialization of LED devices with high photosynthetic efficiency and colour rendering and low colour temperature and power	189,863.76	Deferred income	16,752.66	16,752.66	Other income
Research and development and application of technologies on phosphor powder for triphosphor energy-saving lamps with small particles and low consumption and its industrialization		Deferred income	2,430,000.00		Other income
Project on anode materials for high-end power ternary cells	300,000.00	Deferred income	200,000.00		Other income
Special subsidies on industrial transformation and upgrading in Shaanxi province granted to the photoresists production line construction project	380,000.00	Deferred income	1,320,000.00		Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XI. GOVERNMENT GRANTS (CONTINUED)****(II) Income-related government grants**

Type	Amount	Amount recorded in current	Items recorded
		profit or loss or offsetting	in current
		relevant costs or losses	profit or loss
		Amount for	or offsetting
		the previous	relevant costs
		period	or losses
		Amount for	
		the period	
		the previous	
		period	
Research and development and application of technologies on phosphor powder for triphosphor energy-saving lamps with small particles and low consumption and its industrialization	2,430,000.00	2,430,000.00	Other income
Research and development and industrialization of photoreceptive electrode pulps for PDP	2,726,102.51	1,927,108.31	Other income
Special subsidies on business development	35,000.00	35,000.00	Other income
Subsidies on photovoltaic power stations for 12MW photovoltaic project from the Administration Commission of Xinzhan District in 2016	1,200,000.00	1,200,000.00	Other income
Subsidies for stabilizing employment	97,764.00	97,764.00	Other income
Subsidies on photovoltaic power (Batch 2) from the Economic and Trade Development Bureau of Xinzhan District in 2017	552,149.88	552,149.88	Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XI. GOVERNMENT GRANTS (CONTINUED)****(II) Income-related government grants (Continued)**

Type	Amount	Amount recorded in current	Items recorded
		profit or loss or offsetting	in current
		relevant costs or losses	profit or loss
		Amount for	or offsetting
		the previous	relevant costs
		period	or losses
		period	
Subsidies for large apparatus and equipment from Hefei Municipal Bureau of Science and Technology under article 53 of relevant policies	7,100.00	7,100.00	Other income
Special subsidies on industrial transformation and upgrading in Shaanxi province granted to the photoresists production line construction project	1,320,000.00	1,320,000.00	Other income
Subsidies on the first batch of photovoltaic power from the Economic and Trade Development Bureau of Xinzhan District in 2017	1,217,595.12	1,217,595.12	Other income
Subsidies and incentives on purchase of R&D apparatus and equipment from the Science and Technology Bureau of Hefei City	173,000.00	173,000.00	Other income
Subsidies and incentives on high-tech enterprises granted by the Science and Technology Bureau of Hefei City under article 49 of relevant policy	100,000.00	100,000.00	Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

XI. GOVERNMENT GRANTS (CONTINUED)**(II) Income-related government grants (Continued)**

Type	Amount	Amount recorded in current	Items recorded
		profit or loss or offsetting	in current
		relevant costs or losses	profit or loss
		Amount for	or offsetting
		the previous	relevant costs
		period	or losses
		period	
Subsidies on policies on industrial development of robots granted by the Economic and Information Bureau of Hefei City in 2018	335,000.00	335,000.00	Other income
Infrastructure subsidies	26,127,225.00	26,127,225.00	Other income
Incentives on implementation of "Replacement of Labors with Machinery"	1,514,900.00	1,514,900.00	Other income
Special incentives on promoting stable industrial growth and improving investment returns in 2016	<u>1,000,000.00</u>	<u>1,000,000.00</u>	Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XII. COMMITMENTS AND CONTINGENCIES****1. Commitments**

The Company has entered into the business contracts, and the outstanding substantial payments as agreed are set out as below:

Unit: RMB0'000

Project name	Contractual investment	Investment recognized	Investment not recognized
Hefei Photovoltaic Glass Project	95,979.22	82,537.66	13,441.56
Distributed power stations project of Nanjing CEC Panda	7,635.16	6,327.46	1,307.70
Quartz sand mines integration and quartz sand plant construction project of Hangzhong Jiarunze	1,377.48	1,321.92	55.56
Solar photovoltaic glass furnace	65,765.14	52,875.14	12,890.00
Total	170,757.00	143,062.18	27,694.82

2. Contingencies

Hanzhong IRICO Jiarunze Mining Co., Ltd*, a subsidiary of IRICO Group New Energy Company Limited, was involved in a pending litigation with its construction contractor, Hanzhong Hanshui Construction Engineering Co., Ltd, and the People's Court of Chenggu County has transferred the carrying amount of RMB3,643,500 of the latter in full.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIII. POST BALANCE SHEET EVENTS*****Entering into large sales agreement***

On 3 July 2019, the Board of the Company announced that the Company and its wholly-owned subsidiary, Hefei Photovoltaic (as the Sellers) and certain wholly-owned subsidiaries of LONGi Group (as the Purchasers, which comprised LONGi Solar Technology Co., Ltd.* (隆基樂葉光伏科技有限公司), Zhejiang LONGi Solar Technology Co., Ltd.* (浙江隆基樂葉光伏科技有限公司), Taizhou LONGi Solar Technology Co., Ltd.* (泰州隆基樂葉光伏科技有限公司), Yinchuan LONGi Solar Technology Co., Ltd.* (銀川隆基樂葉光伏科技有限公司), Chuzhou LONGi Solar Technology Co., Ltd.* (滁州隆基樂葉光伏科技有限公司), Datong LONGi Solar Technology Co., Ltd.* (大同隆基樂葉光伏科技有限公司), LONGi (H.K.) Trading Limited* (隆基(香港)貿易有限公司) and LONGi (Kuching) Sdn.Bhd.* (隆基(古晉)私人有限公司), entered into the Sales Agreement on 3 July 2019 for the supply and sale of an aggregate of 68,500,000.00 square meters of photovoltaic glass with an estimated total contract amount of approximately RMB1.8 billion (tax inclusive) from 3 July 2019 to 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIV. OTHER SIGNIFICANT EVENTS****(I) Segment Information**

1. *Preparation basis and accounting policy of the reportable segments*

The Company operating segments are mainly based on the information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance, and focus on types of goods. The Company has the following four major operating segments: (a) solar photovoltaic business, (b) new materials business – production and sales of luminous materials and lithium battery anode materials, (c) trading business – trading of solar modules and other related accessories, and (d) others.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)**(I) Segment Information (Continued)**

2. Financial information of the reportable segments

Amount for the period:

Unit: RMB0'000

Item	Solar photovoltaic business	New materials business	Trading business	Others	Intersegment eliminations
I. Operating revenue	84,417.16	20,152.43		4,145.08	
II. Operating cost	76,616.92	18,667.98		3,456.93	
III. Gain from investments in associates and joint ventures	-40.23	-58.82		-353.78	353.78
IV. Asset impairment losses and credit impairment losses	-5.74	145.34			-2.07
V. Depreciation and amortization	6,649.55	66.11			173.17
VI. Total profit	5,521.07	1,025.07		-3,811.72	317.02
VII. Income tax expenses	-91.59	-18.45			
VIII. Net profit	5,612.66	1,043.51		-3,811.72	317.02
IX. Total assets	437,507.24	47,723.69		148,394.34	-130,301.28
X. Total liabilities	293,402.22	20,918.32		245,797.13	-84,446.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)****(I) Segment Information (Continued)***2. Financial information of the reportable segments (Continued)*

Amount for the same period last year:

Unit: RMB0'000

Item	Solar photovoltaic business	New materials business	Trading business	Others	Intersegment eliminations
I. Operating revenue	89,444.50	17,670.61	7,413.59	2,648.67	-449.27
II. Operating cost	73,532.95	15,739.85	6,885.53	1,146.35	-449.27
III. Gain from investments in associates and joint ventures			-23.72	481.45	-480.81
IV. Asset impairment losses and credit impairment losses	-4.14	73.50			0.21
V. Depreciation and amortization	3,704.76	67.03	158.94	93.00	1.88
VI. Total profit	9,941.13	1,556.26	280.35	5,034.66	5,815.32
VII. Income tax expenses	510.82	-10.79			10.79
VIII. Net profit	9,430.31	1,567.05	280.35	5,034.66	5,804.53
IX. Total assets	346,926.51	39,055.10	21,598.22	261,547.23	-164,444.11
X. Total liabilities	198,180.78	14,859.49	11,307.49	267,558.51	-32,334.08

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)****(II) Proposed Non-Public Issue of Shares**

According to the announcements of the Company on 24 July 2017, 6 October 2017, 1 February 2018, 18 April 2018 and 23 January 2019 in relation to the issuance of new H shares, the Company will issue not more than 2.3 billion new H shares, and the proceeds to be raised therefrom will be used in Yan'an Photovoltaic Glass Project, Hefei Photovoltaic Glass Project (Phase II), Xianyang Photovoltaic Glass Relocation and Technical Innovation Project, IRICO Yongneng 2GW Photovoltaic modules and to supplement the working capital of the Company. Pursuant to the subscription agreements, each of Xianyang Zhongdian IRICO Group Holdings Ltd., Zhangjiagang Economic & Technological Development Zone Corporation, Yan'an Dingyuan Investment Co., Ltd. and Hefei Xincheng State-owned Assets Management Co., Ltd. has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 900 million, 500 million, 300 million and 200 million new H shares at a consideration of RMB900 million, RMB500 million, RMB300 million and RMB200 million, respectively. In June 2019, the Company received the Approval of the Issue of Overseas Listed Foreign Shares by IRICO Group New Energy Company Limited (Zheng Jian Xu Ke [2019] No. 965) (《關於核准彩虹集團新能源股份有限公司發行境外上市外資股的批覆》(證監許可[2019]965號)) issued by China Securities Regulatory Commission ("CSRC"), pursuant to which CSRC has approved the issue of not more than 2,300,000,000 new H shares by the Company. All such shares are ordinary shares with a par value of RMB1.00 each.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)****(II) Proposed Non-Public Issue of Shares (Continued)**

As at 30 June 2019, the number of issued shares of the Company was 2,232,349,400 shares, comprising 1,601,468,000 domestic shares and 630,881,400 H shares. The total number of H shares entitling the H shareholders to attend and vote on the resolutions proposed at the H shares class meeting was 630,881,400 shares.

(III) Compensation Agreements on Furnace-related Assets

As at 30 June 2019, in the accounts of the Company, the net carrying amount of fixed assets related to furnace productions amounted to RMB69.86 million, and carrying amount of construction in progress under the 3-phase production line amounted to RMB50.13 million, adding up to RMB119.99 million. According to requirements under the “Compensation Framework Agreement” entered into between the Company and Zhongdian Holdings, Zhongdian Holdings will compensate the Company for the losses on fixed assets and construction in progress arising from any future relocation or reconstruction in a different locality or any expenses incurred during the relocation; the compensation amount shall be subject to the actual losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(IV) Other events

On 13 February 2019, the Board of the Company announced that: Mr. Zou Changfu retired from his office as an executive director of the Company; Mr. Chen Xiaoning was re-designated from a non-executive director of the Company to an executive director of the Company; and Mr. Zou Changfu ceased to be the general manager and legal representative of the Company and Mr. Chen Xiaoning was appointed as the general manager and legal representative of the Company.

On 27 February 2019, the Board of the Company announced that Mr. Yuan Guanqing ceased to be a deputy general manager of the Company due to changes in job arrangements.

On 1 April 2019, the Board announced that Mr. Tang Haobo ceased to be an employee representative supervisor of the Company due to work re-allocation and Mr. Wu Mingli was elected as an employee representative supervisor.

According to the resolutions passed at the 2018 annual general meeting of the Company dated 28 May 2019, the Board consists of Mr. Si Yuncong and Mr. Chen Xiaoning as executive directors, Mr. Fan Laiying and Mr. Ni Huadong as non-executive directors, and Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION****(I) Breakdown of non-recurring profit or loss for the current period**

Item	Amount	Note
Profit/loss on disposal of non-current assets		
Tax refund, deduction and exemption as a result of ultra vires or without formal approval		
Government grant recognized in current profit or loss, except for those acquired in the ordinary course of business and granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standards	10,624,036.00	
Funds occupation fee accounted for in the profit or loss of the current period charged to non-financial enterprises		
Gains arising from the difference between the investment cost for acquisition of subsidiaries, associates and joint ventures by an enterprise and the fair value of the identifiable net assets of the invested entity at the time of acquisition		
Profit or loss from swap of non-monetary assets		
Profit or loss from entrusted investment or asset management		
Provision for assets impairment due to force majeure including natural disasters		
Profit or loss from debt restructuring		
Expenses arising from enterprise restructuring, such as staff resettlement, integration, etc.		
Profit or loss from the excess of the fair value compared to the unfair consideration of a transaction		
Current net profit or loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger		
Profit or loss from contingencies irrelevant to the normal operations of the Company		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(I) Breakdown of non-recurring profit or loss for the current period (Continued)**

Item	Amount	Note
Apart from hedging instruments relating to the normal operations of the Company, profit or loss from change in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities, and other debt investments	397,735.06	
Reversal impairment provision for accounts receivable and contract assets tested for impairment separately		
Profit or loss from external entrusted loans		
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement		
Effect of one-off adjustment to current profit or loss in accordance with laws and regulations on taxation and accounting, etc.		
Income from custody fees received for entrusted management		
Other non-operating income and expenses save for the above	-95,954.82	
Other profit or loss items falling within the meaning of non-recurring profit or loss	95,107,400.00	
Total	106,033,216.24	
Effect of income tax	15,902,479.52	
Effect of minority interests	1,207,962.60	
Total	88,922,774.12	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(II) Return on net assets and earnings per share:**

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	34.36	0.02	0.02
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss items	-33.33	-0.02	-0.02

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(III) Supplemental information in relation to changes in accounting policies**

The Company made modifications to relevant accounting policies pursuant to the Notice on Amendment and Issuance of the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6), and made retrospective restatements to the comparative financial statements. Consolidated balance sheet as the beginning and the end of the preceding year after restatements is set out as follows:

Item	Balance at the beginning of the preceding year	Balance at the end of the preceding year	Closing balance
Current Assets:			
Cash at bank and on hand	491,507,931.96	260,546,684.16	254,120,075.60
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets		679,095.34	112,875.58
Derivative financial assets			
Bills receivable	438,566,911.32	339,322,789.73	107,450,883.04
Accounts receivable	504,399,945.16	666,021,403.75	721,756,594.55
Receivables financing			259,018,954.23

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(III) Supplemental information in relation to changes in accounting policies (Continued)**

Item	Balance at the beginning of the preceding year	Balance at the end of the preceding year	Closing balance
Prepayments	198,778,715.79	63,045,789.85	60,010,713.66
Premium receivables			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	53,949,968.87	249,397,827.25	92,895,618.64
Financial assets acquired for resale			
Inventories	191,165,827.81	166,308,583.08	176,195,811.45
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	75,671,306.26	85,627,181.99	85,935,509.93
Total current assets	1,954,040,607.17	1,830,949,355.15	1,757,497,036.68

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(III) Supplemental information in relation to changes in accounting policies (Continued)**

Item	Balance at the beginning of the preceding year	Balance at the end of the preceding year	Closing balance
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	54,160,965.99	179,326,419.17	179,885,645.26
Other investments in equity instruments	364,442,481.28	250,009,608.42	281,140,200.66
Other non-current financial assets			
Investment properties	10,961,164.31		
Fixed assets	819,662,248.83	1,502,164,833.71	1,498,193,496.38
Construction in progress	941,639,097.86	772,497,652.24	878,789,275.54
Productive biological assets			
Oil and gas assets			
Right-of-use assets	N/A	N/A	19,841,384.01
Intangible assets	232,365,319.19	264,864,756.84	260,606,004.54
Development expenditures			6,550,203.36
Goodwill	41,533,010.55	38,544,327.69	38,544,327.69

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(III) Supplemental information in relation to changes in accounting policies (Continued)**

Item	Balance at the beginning of the preceding year	Balance at the end of the preceding year	Closing balance
Long-term deferred expenses	6,722,661.07	19,689,300.10	1,047,877.05
Deferred tax assets	588,775.47	861,194.97	1,045,646.47
Other non-current assets	<u>170,490,405.25</u>	<u>11,869,754.47</u>	<u>14,991,450.84</u>
Total non-current assets	<u>2,642,566,129.80</u>	<u>3,039,827,847.61</u>	<u>3,180,635,511.80</u>
Total assets	<u><u>4,596,606,736.97</u></u>	<u><u>4,870,777,202.76</u></u>	<u><u>4,938,132,548.48</u></u>
Current liabilities:			
Short-term borrowings	557,298,613.98	434,252,466.63	411,000,000.00
Loans from Central Bank			
Loans from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	566,500,363.01	490,689,505.29	547,331,168.64
Accounts payables	748,485,746.95	889,384,282.44	998,824,511.23
Receipts in advance	164,982,905.40		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(III) Supplemental information in relation to changes in accounting policies (Continued)**

Item	Balance at the beginning of the preceding year	Balance at the end of the preceding year	Closing balance
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	54,704,487.22	42,518,480.81	25,079,867.75
Taxes payable	16,413,033.69	22,195,570.97	11,828,985.32
Other payables	1,513,954,011.83	1,539,489,454.26	1,545,686,278.69
Handling fee and commission payable			
Reinsurance accounts payable			
Contract liabilities		50,535,500.53	47,816,612.01
Held-for-sale liabilities			
Non-current liabilities due within one year	222,729,511.26	497,519,566.90	541,311,367.52
Other current liabilities			
Total current liabilities	3,845,068,673.34	3,966,584,827.83	4,128,878,791.16

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2019**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(III) Supplemental information in relation to changes in accounting policies (Continued)**

Item	Balance at the beginning of the preceding year	Balance at the end of the preceding year	Closing balance
Non-current liabilities:			
Insurance deposits payables			
Long-term borrowings	395,398,700.00	595,375,744.44	158,501,800.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	N/A	N/A	16,236,720.64
Long-term payables	7,000,000.00	7,000,000.00	268,240,435.83
Long-term employee benefits payable	21,706,869.67	10,856,171.40	11,321,052.85
Estimated liabilities	3,809,262.97		
Deferred income	81,475,121.13	76,512,512.01	71,688,451.91
Deferred tax liabilities	559,280.19	664,907.28	649,966.52
Other non-current liabilities			6,086,904.15
Total non-current liabilities	509,949,233.96	690,409,335.13	532,725,331.90
Total Liabilities	4,355,017,907.30	4,656,994,162.96	4,661,604,123.06

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2019

*(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(III) Supplemental information in relation to changes in accounting policies (Continued)**

Item	Balance at the beginning of the preceding year	Balance at the end of the preceding year	Closing balance
Equity attributable to the owners:			
Share capital	2,232,349,400.00	2,232,349,400.00	2,232,349,400.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	943,531,444.10	943,531,444.10	943,531,444.10
Less: Treasury shares			
Other comprehensive income	-118,488,713.46	-233,080,783.78	-201,950,191.54
Special reserve			
Surplus reserve	22,477,267.06	22,477,267.06	22,477,267.06
General risk reserve			
Undistributed profit	-2,953,332,667.89	-2,872,034,688.32	-2,826,897,626.94
Total equity attributable to equity shareholders of the Company	126,536,729.81	93,242,639.06	169,510,292.68
Minority interests	115,052,099.86	120,540,400.74	107,018,132.74
Total equity attributable to the owners	<u>241,588,829.67</u>	<u>213,783,039.80</u>	<u>276,528,425.42</u>
Total liabilities and shareholders' equity	<u>4,596,606,736.97</u>	<u>4,870,777,202.76</u>	<u>4,938,132,548.48</u>