



IRICO

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)

2019
ANNUAL REPORT

* For identification purpose only

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Financial Highlights

1. Operating results

Unit : RMB0'000

Item	2019	2018
Operating revenue	224,511	233,192
Including: Revenue from principal business	219,687	229,074
Revenue from other businesses	4,824	4,118
Gross profit from principal business	26,538	22,474
Total profit (loss is represented by "-")	7,616	8,696
Net profit (net loss is represented by "-")	7,409	8,679
Including: Net profit attributable to the shareholders of the Company	9,314	8,130
Minority interests	-1,906	549
Total comprehensive income (loss is represented by "-")	7,568	-2,781
Including: Total comprehensive income attributable to the shareholders of the Company	9,474	-3,329
Total comprehensive income attributable to minority shareholders	-1,906	549

Financial Highlights (Continued)

2. Financial position

Item	31 December 2019	31 December 2018
Current assets	173,125	183,095
Non-current assets	318,085	303,983
Current liabilities	418,668	396,658
Non-current liabilities	43,635	69,041
Equity attributable to the shareholders of the Company	18,798	9,324
Minority interests	10,109	12,054

3. Performance indicators

Name of indicators	2019	2018
Gearing ratio	94.12%	95.61%
Current ratio	0.41	0.46
Interest coverage ratio (times)	1.71	1.95
Trade receivable turnover (days)	98	98
Inventory turnover (days)	31	33

Chairman's Statement

Dear Shareholders,

During the reporting period, as a pioneer and leader in the new energy and new materials industry, the Group has always stood at the forefront of industry development, relying on the central enterprise platform to attract outstanding partners, implement high-quality key customer strategies, and join forces to achieve win-win cooperation. In terms of industrial scale, business layout, international cooperation, talent-driven development and technological transformation, it successfully got through the price fluctuation cycle of "531" subsidy elimination in 2018. The sales revenue of photovoltaic glass business in 2019 increased by 53.93% year-on-year, laying a solid foundation for accelerating the construction of a world-class enterprise that "provides products and solutions of strategic advanced materials for China".

I am pleased to present the results of IRICO Group New Energy Company Limited* ("IRICO" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "reporting period").



Chairman
Si Yuncong

Chairman's Statement (Continued)

Business Review

During the reporting period, the Group continued to further promote its main business, seized the opportunity of recovery in the photovoltaic industry, and took various measures to achieve high-quality development of the Group. The production capacity of Hefei photovoltaic glass base production line has been comprehensively increased, and new production line is being actively prepared. The production lines of Yan'an photovoltaic glass base have fully commenced operation. Thin photovoltaic glass transformation has achieved preliminary results, and the overall scale effect has been further enlarged. At the same time, by implementing the strategy of key customers and expanding the market, the Group showed a pleasing trend of full sales orders with strong production and sales performance. Its profitability was further stimulated and its going concern capability was significantly enhanced. It has continued to maintain a solid position as one of the world's top three players in the industry. In terms of the module production line of Zhangjiagang base, the Group relied on the advantage of the development of double-glazed module in the industry to actively promote the joint development of photovoltaic glass and double-glazed module production of the Group. Solar photovoltaic power stations built in Nanjing, Hefei, Wuhan, Liquan, Changwu and other places were in stable operation and entered into an intelligent operation and maintenance mode.

During the reporting period, the Group's electronic functional materials segment took Shaanxi IRICO New Materials Co., Ltd. as the main body, and jointly established a "production, education, research and application" collaborative innovation research and development platform with Northwestern Polytechnical University, Northwest University and other well-known scientific research institutions. Meanwhile, it has further strengthened its strategic cooperation with Germany-based Merck and other world-class companies, innovated the development path of cooperation with local governments, and continuously expanded the related business scope of electronic pastes, positive photoresists, photovoltaic glass nano-coating materials and light diffusion materials, and enhance the performance of the existing business of new functional material fields such as high-nickel ternary materials (type 811). Relying on the related resources of the Zhongdian Optics Valley Xianyang Park, the Group made every effort to build the largest electronic functional material industrial park in Northwest China.

During the reporting period, the Group achieved outstanding results in terms of capital operations. The issue of 2.3 billion new H shares was approved by the China Securities Regulatory Commission in June 2019, and all the conditions of the new H shares subscription agreement have been fulfilled.

Chairman's Statement (Continued)

Business Review (Continued)

During the reporting period, the Group has accumulatively obtained 129 patent rights. In particular, the project of "Research and Development and Industrialization of Thin Photovoltaic Glass Technology with Oxygen-Fuel Combustion", which was based on the world's leading oxygen-fuel combustion furnace and the energy conservation and emission reduction technology of the main production line, was awarded the second prize of China Electronic (Civilian Product) Scientific and Technological Progress in 2019, which achieved green and sustainable development of the industry with technological innovation. The management innovation project of "Construction of the Operational Risk Prevention and Control System for Photovoltaic Enterprises Based on Matrix Management" was awarded the third prize of China National Defense Industrial Enterprises Management Innovation Award in 2019. The group standards of "Processing Glass Material Platform" compiled by the Group has been issued and implemented by the China Building and Industrial Glass Association.

During the reporting period, the Group implemented talent-driven development strategy, and introduced industry experts and management talents to meet the needs of the Company's strategic and industrial structure development, providing a strong talent guarantee for the scientific leapfrog development of the Group.

During the reporting period, the Group bravely assumed the social responsibility as a central enterprise, fully implemented the concept of sustainable development, actively responded to the national call for poverty alleviation, and completed and put into operation of the Yan'an photovoltaic base and Changwu photovoltaic power station.

Future Prospects

The Group will go all out to focus on the vision of "providing products and solutions of strategic advanced materials for China". Based on the existing new energy and electronic functional materials industry and guided by value investment, the Group will adhere to the development path of technology leadership and cost leadership under the innovative business model to continuously improve the industrial layout, accelerate technological innovation, further expand the global top three production capacity scale of photovoltaic glass, and expand the leading edge of electronic functional materials. At the same time, the Group actively explore the reform of mixed ownership, introducing incentive mechanisms such as share options, improving core competitiveness, creating greater profit margins, and building an industry leader with brand advantages.

Starting from 2020, the Group will launch a new three-year industry development plan, taking the grid parity in 2020 as an opportunity to vigorously promote the global strategy of replacing traditional energy by sustainable new energy. Through continuous structural innovation and technological leadership, the Group will focus on promoting the production capacity layout of ultra-thin, high-transmittance photovoltaic glass, developing new energy high-end lithium battery cathode materials, electronic pastes and photoresists, and other advanced electronic functional materials to provide material support for the national strategic industry.

Chairman's Statement (Continued)

Future Prospects (Continued)

In the future, with the gradual improvement and advancement of the Group's strategy, the Group is expected to achieve better performance that matches the size of the Group. The central enterprise value of the Group, structural optimization, industrial effectiveness and market value enhancement will further emerge.

At the beginning of 2020, after the outbreak of the novel coronavirus pneumonia (COVID-19), the Group quickly launched the "dual-line battle" of prevention and control in epidemic and production and operation in business. The photovoltaic glass, main business of the Group, maintained continuous production, showing a booming trend in production and sales. The momentum for the high-quality, high-efficiency and rapid development of the Group's business has been further stimulated. At the same time, in accordance with the planning, a new production capacity enhancement plan was launched this year to further consolidate the top three position in the world's photovoltaic glass production capacity. The Group assesses that COVID-19 will not have a significant impact on the Group, and its operating revenue is expected to grow significantly in the first quarter of 2020 as compared to the same period in last year attributable to the great demand on the newly installed capacity in the world's photovoltaic industry.

Acknowledgement

On behalf of the board of directors of the Company (the "Board") and its members (the "Directors"), I would like to express our gratitude to the Company's shareholders (the "Shareholders"), business partners and the community for their care and support. I would also like to express my heartfelt thanks to the management team and all of the employees for their hard work.

IRICO Group New Energy Company Limited*
Si Yuncong
Chairman

Xianyang, the People's Republic of China
26 March 2020

Management Discussion and Analysis

(I) Industry analysis

1. Solar Photovoltaic Power Stations

During the reporting period, under the impact of the photovoltaic subsidy policy, the newly installed solar photovoltaic capacity in China was 30.1GW, representing a year-on-year decrease of 32%, of which 17.9GW and 12.2GW were attributable to concentrated additional installed photovoltaic and distributed additional installed photovoltaic, respectively. The total installed solar photovoltaic capacity in China reached 203.3GW. The newly installed solar photovoltaic capacity in China ranks first in the world for seven consecutive years. Despite of the decline in the Chinese market, affected by the diversification of the global photovoltaic market, the growth trend of the global photovoltaic market has remained. During the reporting period, the global newly installed solar photovoltaic capacity was 120GW, representing a year-on-year increase of 13%. More than 16 countries saw their respective installed solar photovoltaic capacity exceeding 1GW, affected by which, China's photovoltaic products (silicon wafers, cells and modules) have achieved both increase in exports value and export volume and the exports has exceed US\$20 billion for the first time since the anti-dumping and anti-subsidiary policies were implemented.

Looking into 2020, it is expected that the global newly installed solar photovoltaic capacity will continue to increase, which will reach 140GW with an increase of 17% under optimistic expectation and 130GW with an increase of 8% under conservative situation. In 2020, the potential of emerging markets in the Asia-Pacific region is huge, and Southeast Asia in particular will be the main growth driver for the Asia-Pacific market. Due to the impact of the epidemic on Chinese market, it is expected that the newly installed capacity in 2020 will be less than the expectation, and the installed capacity is expected to be at between 35 and 45GW. In the next few years, with the continuous decline in cost of photovoltaic power generation, the expansion of diversified application of photovoltaic power generation, 5G infrastructure photovoltaic power supply, photovoltaic charging stations/pile and photovoltaic electric vehicles, etc., the application market for solar photovoltaic power generation has a huge imagination space.

2. Solar Photovoltaic Glass

During the reporting period, under the impact of the "May 31 New Policy" of 2018, the photovoltaic glass manufacturers who had planned to commence construction and put into production became cautious, while the leading companies continued to expand production, which made the oligarch pattern of the industry appear, and the photovoltaic glass market become increasingly concentrated and the bargaining capability of photovoltaic glass has improved significantly. Meanwhile, under the background of the continuous increase of global installed photovoltaic capacities, the price of photovoltaic glass in 2019 has steadily increased, with an increase of 22.5% during the year.

Management Discussion and Analysis (Continued)

(I) Industry analysis (Continued)

2. Solar Photovoltaic Glass (Continued)

Looking into 2020, in the first quarter, under the impact of coronavirus epidemic, the resumption of work of module manufacturers will directly affect the short-term demand for photovoltaic glass as they are the terminal of the industrial chain. Looking to the whole year, the expansion plan of photovoltaic glass production capacity is orderly and rational. Under the background of continued growth in global photovoltaic demand, photovoltaic glass will still maintain a momentum of generally balanced supply and demand, and the price of photovoltaic glass will not fluctuate greatly.

3. New Materials Business

In respect of positive photoresists, there was still a large gap between domestic positive photoresists technology and the international advanced level, and the global market has been basically monopolized by American, Japan and Korea enterprises. China's self-sufficiency rate was only 10%, which was mainly concentrated in the PCB sector with a lower technology content. Looking into 2020, the scale of the global positive photoresists market is expected to reach US\$10.02 billion, and China's import substitution market has huge space.

In respect of electronic silver paste, the industry as a whole is stable in 2019. The total domestic demand for capacitor resistance paste is approximately 250 tonnes. The Company's paste has a high market awareness in the varistor sector and is in a leading position in market segments. According to statistics from the China Solar Photovoltaic Association, domestically produced positive silver paste has continued to increase, and will continue to increase stably in the coming years. It is expected that it will reach around 50% of the overall positive silver market. It is estimated that the annual domestic demand for positive silver paste alone will exceed 2,200 tonnes.

In respect of cathode materials for lithium batteries, affected by increasing market demand and reduced production of overseas lithium battery materials in 2019, the market shipment of cathode materials increased by more than 20%. In particular, the ternary cathode material market accounted for 47.6%, representing an increase of 2.7 percentage points compared with 2018, accounting the most of the market share. However, in terms of price, affected by the release of production capacity and the pressure of terminal cost reduction to be transmitted upstream, the price of cathode materials has shown a downward trend. Looking into 2020, the market of cathode materials for lithium batteries will be further increasingly concentrated, and leading enterprises will further strengthen the supply chain layout of international mainstream battery customers. Core enterprises of cathode material will further promote their layout and optimization reforms in technology, patents, customer resources and management to enhance their core competitiveness.

Management Discussion and Analysis (Continued)

(II) Review of business

1. Operation Summary

During the reporting period, the Group recorded operating revenue of RMB2,245.11 million, representing a year-on-year decrease of RMB86.81 million or 3.72%, and net profits attributable to the owners of the parent of RMB93.14 million, representing a year-on-year increase of RMB11.84 million or 14.57%.

2. Review of Principal Business

During the reporting period, the Group continued to strengthen and optimize solar photovoltaic business and new electronic materials business. The principal business developed rapidly, the business scale continued to expand, and the overall layout of high-quality development basically took shape.

(1) *Solar photovoltaic business*

- Solar photovoltaic glass

During the reporting period, as the worldwide largest oxygen-fuel combustion photovoltaic glass production base, Hefei Photovoltaic has two oxygen-fuel combustion photovoltaic glass furnaces with a daily melting capacity of 750 tonnes and 800 tonnes, respectively. With the improvement of quality and efficiency in all-round of the production lines of Hefei Photovoltaic, the production capacity continues hitting new highs and the proportion of qualified products reaches the first-class standard in the industry. The Company grasped the opportunity of industry demand recovery and adhered to the strategy of large customers, therefore achieving fast increasing orders, a boom in production and sales and a significant year-on-year increase in the revenue and profit of photovoltaic glass business, which further enhanced the core competitiveness of the Company and laid a solid foundation for the development of the Group. The construction of the phase III production lines in the Hefei base is being accelerated, and upon completion of the project, the scale effect will be further enlarged. In addition, it has won the honorary title of “Advanced Central Enterprise” at the Advanced Central Enterprises and Model Workers Commendation Conference.

The Group’s largest, in terms of scale, monomer and oxygen-fuel combustion photovoltaic glass production lines in Yan’an base, with the most optimum cost advantages, the most advanced technology, and a daily melting capacity of 850 tonnes, has been put into full operation. The products have been accredited by customers, and the sales-to-production ratio has maintained a good level, so that it has achieved a steadily access into the market and helped the areal landscape of the Group’s business to develop in a balanced manner.

Management Discussion and Analysis (Continued)

(II) Review of business (Continued)

2. Review of Principal Business (Continued)

(1) Solar photovoltaic business (Continued)

- Solar photovoltaic glass (Continued)

The solar photovoltaic glass bases of the Group continued to transform and upgrade their production lines to produce thin glass by enhancing process control and technical innovation in equipment, and has achieved mass production of thin photovoltaic glass in more than half of its production lines and completed the certification and mass sales of double-glazed glass and other products, which created a new profit growth driver for the Group. 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, has passed the acceptance. The production capacity and technology of relevant production lines maintained stability, and the consumption and nitrogen oxide emissions involved therein were far lower than the national standards, which signified significant social benefits, environmental benefits and economic profits. In addition, the Group and LONGi Group entered into the sales agreement for photovoltaic glass with a contract amount of approximately RMB1.8 billion, further enhanced the Group's share in the photovoltaic glass market and its position in the industry and promoted the sustainable and steady development of its operating performance.

- 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) ("IRICO Yongneng") completed upgrading on the existing production lines of modules by conducting technical renovation, equipment updating and other measures. As a result, the production efficiency of production lines and added-value of product have been significantly improved, and breakthrough progress was seen in double-glass module production lines. Meanwhile, the Group seized development opportunity of grid-parity and increased industrial investment, further boosted the efficient integration of photovoltaic business chain in the Group and is therefore conducive to developing economies of scale.

Management Discussion and Analysis (Continued)

(II) Review of business (Continued)

2. Review of Principal Business (Continued)

(1) *Solar photovoltaic business (Continued)*

- Solar photovoltaic power station

During the reporting period, the Group's solar photovoltaic power stations in Nanjing, Hefei, Wuhan and Liqun were in stable operation. Besides, the construction of project of poverty alleviation power station in Changwu has been fully completed and put into use. The Group also capitalised on its photovoltaic glass furnace equipment and technical advantage to promote cogeneration for boosting interconnected and win-win development of industries. Meanwhile, the Group actively negotiated with potential partners in terms of projects in a number of places including Jiangsu and Anhui for enhancing business scale.

In addition, the Group energetically conducted intelligent operation model of digitalization and informatization for solar photovoltaic power stations and has realized informatization management for power station data in some areas, and the intelligent and automatic cleaning transformation project has been put into trial operation.

- Quartz sand business

During the reporting period, the construction of main work of the Group's Hanzhong Jiarunze quartz sand mine project has been completed and met acceptance conditions. Meanwhile, significant achievements have been made in respect of environmental protection work and safety construction at the diggings. Besides, the production capacity and quality of quartz sand processing production lines were comprehensively improved.

(2) *New materials business*

During the reporting period, the Group focused on the development of electronic functional materials and actively expanded new businesses. The total profit of new material business realized a year-on-year increase of 19%.

The Group successfully introduced advanced manufacturing technology of photoresist from Merck KGaA in Germany. As a result, production lines of the project operated smoothly, and self-produced photoresist was accredited by customers and realized stable bulk supply, which further promoted the deep integration of photoresist business of the Group and the industry chain of liquid crystal display panel of CEC. In respect of cathode materials for lithium batteries, the Group enhanced the performance of production and operation of the NCM811 battery material and achieved good results. At the same time, the construction and mass production of projects of positive silver paste and silver powder for solar batteries were accelerated, and the electronic silver paste business markets were expanded, forming a new source for sales growth of the Group.

Management Discussion and Analysis (Continued)

(II) Review of business (Continued)

2. Review of Principal Business (Continued)

(2) *New materials business (Continued)*

In addition, the Group established a science and technology committee, communicated and cooperated with universities and research institutions such as Fudan University and Northwest University, and established an integrated innovation mechanism of production, teaching and research with enterprises as the mainstay, which has achieved fruitful results; among those, joint applications have been made for four patents with shared intellectual property rights in respect of joint research projects with Northwest University in field of new energy.

(III) Subsequent events

At the beginning of 2020, after the outbreak of the novel coronavirus pneumonia (COVID-19), the Group quickly launched the “dual-line battle” of prevention and control in epidemic and production and operation in business. The photovoltaic glass, main business of the Group, maintained continuous production, showing a booming trend in production and sales. The momentum for the high-quality, high-efficiency and rapid development of the Group’s business has been further stimulated. At the same time, in accordance with industrial planning, a new production capacity enhancement plan was launched this year to further consolidate the top three position in the world’s photovoltaic glass production capacity. The Group assesses that COVID-19 will not have a significant impact on the Group. Benefiting from the strong demand for new installed capacity in the global photovoltaic industry, the operating revenue of the Group in the first quarter of 2020 is expected to increase significantly as compared to the same period in last year.

The Company (as the supplier) and JA Solar Technology (as the purchaser) entered into the strategic cooperation agreement on 18 March 2020 for the supply and purchase of the production and services of photovoltaic glass with an estimated total contract amount of approximately RMB2.1 billion (tax inclusive) from 18 March 2020 to 31 March 2022.

The cooperation will be beneficial to the Group in its sale and promotion of photovoltaic glass products, improvement of the Group’s market share and industrial position in the photovoltaic glass market and safeguarding the stabilization of long-term operating results of the Group, and therefore, is in the interests of the Group and its shareholders as a whole.

For details, please refer to the announcement of the Company dated 18 March 2020.

Management Discussion and Analysis (Continued)

(IV) Financial review

1. Results

Profit and loss data for 2015–2019 (RMB'000)

Item	2019	2018	2017	2016	2015
Operating revenue	224,511	233,192	247,147	187,105	163,084
Including: Revenue from principal business	219,687	229,074	236,340	179,026	157,265
Revenue from other businesses	4,824	4,118	10,806	8,079	5,819
Operating costs	196,645	208,901	219,380	162,189	159,312
Including: Costs of principal business	193,149	206,600	210,340	158,216	155,085
Costs from other businesses	3,496	2,301	9,041	3,973	4,227
Gross profit from operating	27,867	24,291	27,766	24,915	3,772
Taxes and surcharges	1,190	991	1,212	1,045	256
Selling expenses	6,973	6,235	8,076	8,738	8,926
Administrative expenses	12,848	12,097	13,230	11,153	19,788
Research and development expenses	5,046	4,368	2,619	360	365
Finance costs	10,668	8,713	6,798	3,898	18,405
Impairment losses on assets (loss is represented by "-")	-199	-506	-2,462	-2,062	-34,250
Credit impairment losses (loss is represented by "-")	-405	-1,200			
Other income	17,190	4,416	11,990	4,677	1,555
Investment income	276	13,924	1,215	6,058	129,823
Gains from changes in fair value (loss is represented by "-")	-1	-10			
Gains from disposal of assets	15	6	3,356	418	1,138
Non-operating income	390	223	1,091	1,061	25
Non-operating expenses	793	43	407	53	1,853
Total profit (total loss is represented by "-")	7,616	8,696	10,616	9,818	52,470
Income tax expenses	207	17	587	137	30
Net profit (net loss is represented by "-")	7,409	8,679	10,028	9,681	52,440
Including: Net profit attributable to the shareholders of the Company	9,314	8,130	9,001	9,831	68,299
Minority interests	-1,906	549	1,027	-149	-15,859

Management Discussion and Analysis (Continued)

(IV) Financial review (Continued)

1. Results (Continued)

Turnover by products (RMB0'000)

Item	12 months ended 31 December (RMB0'000)			
	2019	2018	Increase or decrease	Change (%)
Operating revenue	224,511	233,192	-8,681	-3.72%
Including: Solar photovoltaic business	159,347	172,978	-13,631	-7.88%
New materials business	60,340	45,209	15,131	33.47%
Trading business		10,736	-10,736	-100.00%
Other	4,824	4,269	555	13.01%

(1) Profits and Losses

- Revenue and profit from principal business

During the reporting period, the Group recorded operating revenue from its principal business of RMB2,196.87 million, representing a year-on-year decrease of RMB93.87 million or 4.1%, which was mainly due to the following reasons: the revenue from photovoltaic glass was RMB1,300.35 million, representing a year-on-year increase of RMB455.57 million; the revenue from solar cell modules was RMB265.91 million, representing a year-on-year decrease of RMB604.88 million due to technological transformation; the revenue from power stations was RMB27.21 million, representing a year-on-year increase of RMB12.99 million, the revenue from new materials business was RMB603.40 million, representing a year-on-year increase of RMB151.31 million; the revenue from trading was RMB0, representing a year-on-year decrease of RMB108.86 million due to the Group's focusing on principal business and enhancing the competition.

The net profit attributable to the owner of the parent amounted to RMB93.14 million, representing a year-on-year increase of RMB11.84 million or 14.57%, which was mainly due to the increased operating capacity by improving quality and efficiency.

- Administrative expenses

During the reporting period, the Group's administrative expenses was RMB128.48 million (2018: RMB120.97 million), representing a year-on-year increase of RMB7.51 million or 6.21%, which was mainly due to depreciation.

Management Discussion and Analysis (Continued)

(IV) Financial review (Continued)

1. Results (Continued)

(1) Profits and Losses (Continued)

- Finance costs

During the reporting period, the Group's finance costs included in profit and loss was RMB106.68 million (2018: RMB87.13 million), representing a year-on-year increase of RMB19.55 million or 22.44%, which was mainly due to the increased average borrowings of the Company.

- Selling expenses

During the reporting period, the Group's selling expenses was RMB69.73 million (2018: RMB62.35 million), representing a year-on-year increase of RMB7.38 million or 11.84%, which was mainly due to the increase of the volume of sales of photovoltaic glass.

- Research and development expenses

During the reporting period, the Group's research and development expenses was RMB50.46 million (2018: RMB43.68 million), representing a year-on-year increase of RMB6.78 million or 15.52%, which was mainly due to the increase in research and development costs of RMB14.51 million of Hefei Photovoltaic, while the decrease in research and development costs of RMB7.73 million of Xianyang Photovoltaic and IRICO Yongneng and other companies.

2. Capital structure

As at 31 December 2019, the Group will continue to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure.

As at 31 December 2019, the total assets of the Group amounted to RMB4,912.09 million (31 December 2018: RMB4,870.78 million), including cash and bank balances of RMB405.45 million (31 December 2018: RMB260.55 million).

As at 31 December 2019, the total liabilities of the Group were RMB4,623.02 million (31 December 2018: RMB4,656.99 million), including bank and other borrowings of RMB2,677.14 million (31 December 2018: RMB2,832.18 million).

As at 31 December 2019, the total owners' equity of the Group was RMB289.07 million (31 December 2018: RMB213.78 million).

Management Discussion and Analysis (Continued)

(IV) Financial review (Continued)

2. Capital structure (Continued)

As at 31 December 2019, the gearing ratio of the Group was 94.12% (31 December 2018: 95.61%).

During the reporting period, the turnover days for accounts receivable of the Group was 98 days, which remained the same as last year.

During the reporting period, the inventory turnover days of the Group was 31 days, representing a year-on-year decrease of 2 days, which was mainly due to the increased control over inventory of the Company.

3. Cash flow

During the reporting period, the Group's net cash inflow from operating activities amounted to RMB428.39 million (2018: net cash outflow of RMB232.75 million); net cash outflow from financing activities were RMB225.55 million (2018: net cash inflow of RMB236.37 million); net cash outflow from investing activities RMB168.28 million (2018: RMB109.29 million) respectively. The Group's capital expenditures amounted to RMB165.18 million in total (2018: RMB227.89 million).

4. Foreign exchange risk

The Group's income and most of its expenses were denominated in Renminbi and US dollar. For the year ended 31 December 2019, the net foreign exchange gain of the Group was RMB0.52 million (2018 : RMB1.94 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

5. Commitments

As at 31 December 2019, the capital expenditure commitments of the Group amounted to RMB201.25 million (31 December 2018: RMB471.60 million).

6. Contingent liabilities

As at 31 December 2019, the Group had no material contingent liability.

7. Pledged assets

As at 31 December 2019, the bank and other borrowings of the Group amounted to approximately RMB807.80 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 RMB795.37 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.

Management Discussion and Analysis (Continued)

(V) Material acquisition and disposal

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

(VI) Significant investments

During the reporting period, save as disclosed in this report, the Company had not made any other significant investment.

(VII) 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 elected as a non-executive director of the Company at the 2018 annual general meeting of the Company. On 31 December 2019, Mr. Chen Xiaoning ceased to serve as an executive director and the general manager of the Company due to changes in job arrangements, and Mr. Tong Xiaofei was appointed as an executive deputy general manager of the Company (preside over work). On 20 January 2020, Mr. Tong Xiaofei was elected as an executive director of the Company at the extraordinary general meeting of the Company.

For details, please refer to the announcements of the Company dated 13 February 2019, 1 April 2019, 28 May 2019, 31 December 2019 and 20 January 2020.

2. 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 (including the proposed subscription by each of 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”) 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 Zhongdian IRICO and 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.

Management Discussion and Analysis (Continued)

(VII) Other matters (Continued)

2. 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 (Continued)

On 1 February 2018, the Board approved the resolution regarding the adjustments to the proposed H share issue. The number of new H shares to be issued by the Company under the proposed H share issue would be 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 after adjustments was expected to be not more than RMB2.3 billion. Taking into account the fact that the reporting work in respect of the proposed H share issue has been affected by the original power station projects due to their complex examination and approval procedures, the proceeds to be raised from the proposed H share issue will no longer be used in 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, but will be used in IRICO Yongneng 2GW Photovoltaic Modules Project instead.

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. The proposed subscription by Zhongdian IRICO constituted a connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. 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. On 18 April 2018, the Company entered into the 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 (Guo Zi Chan Quan [2018] No. 880) (《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》(國資產權[2018]880號)) issued by the State-owned Assets Supervision and Administration Commission ("**SASAC**") of the State Council, pursuant to which the SASAC approved in principle the overall plan of the Company on its non-public issue of no more than 2,300,000,000 new H shares.

Management Discussion and Analysis (Continued)

(VII) Other matters (Continued)

2. 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 (Continued)

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》(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.

As the Company still needs time to approach and negotiate with other potential investors and deal with the administrative matters concerning the implementation of the proposed H share issue, in order to ensure the smooth implementation of the proposed H share issue, the Company held the extraordinary general meeting and the H share class meeting on 20 January 2020 to consider and approve the extension of validity period of resolution in respect of the proposed H share issue and related matters, including the extension of validity period of the authorisation to the Board to deal with matters relating to the proposed H share issue. The above validity period shall be extended for a period of 12 months from the date on which the resolution was approved.

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, 6 June 2019, 6 December 2019 and 20 January 2020, as well as the circulars of the Company dated 31 December 2018 and 31 December 2019.

Management Discussion and Analysis (Continued)

(VII) Other matters (Continued)

3. 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.

Profiles of Directors, Supervisors and Senior Management

Directors

Executive Directors

Si Yuncong	55	Chairman
Zou Changfu	60	Retired as an executive director on 13 February 2019
Chen Xiaoning	44	Re-designated from a non-executive Director to an executive director on 13 February 2019 and resigned as an executive director on 31 December 2019
Tong Xiaofei	42	Appointed as an executive director on 20 January 2020

Non-executive Directors

Fan Laiying*	48	
Ni Huadong	44	Appointed as a non-executive director on 28 May 2019

Independent Non-executive Directors

Feng Bing*	53	
Wang Jialu*	58	
Wang Zhicheng*	45	

*: *Members of Audit Committee*

Mr. Si Yuncong (司雲聰), aged 55, is the chairman and an executive Director of the Company, and joined the Group in May 2013. Mr. Si graduated from Hohai University majoring in economic management with a Ph.D. degree and is a senior engineer. Mr. Si currently serves as the chairman, the Party secretary and the legal representative of IRICO Group, and the chairman of Xianyang Zhongdian IRICO Group Holdings Ltd. Mr. Si successively served as head of the environment monitoring station, director assistant and vice director of the safe technology and environmental protection division, deputy chief and chief of the production safety department, deputy factory manager and manager of East China Electronic Tube Factory* (華東電子管廠), deputy general manager and general manager of Nanjing Huadong Electronics Group Co., Ltd.* (南京華東電子集團股份有限公司), executive director and general manager of Nanjing Huadong Electronics Group Limited* (南京華東電子集團有限公司), the deputy general manager and a member of the Party Committee of IRICO Group from May 2013 to March 2016, and the general manager, a member of the Party Committee and the legal representative of IRICO Group from March 2016 to April 2018.

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors (Continued)

Mr. Zou Changfu (鄒昌福), aged 60, was an executive Director and the general manager of the Company. He joined the Group in August 1981. Mr. Zou holds a bachelor's degree in economic management from the Party school of Shaanxi Provincial Party Committee of the Chinese Communist Party (中共陝西省委黨校) and is a senior engineer and a CPC member. Mr. Zou served as the head of the workshop of IRICO Glass Factory, the general manager of Shenzhen Hongyang Company* (深圳虹陽公司), Kunshan IRICO Industrial Company* (崑山彩虹實業公司), the purchase department of IRICO Group and the Company, Xi'an Cairui Company* (西安彩瑞公司), Hefei Photovoltaic Glass Company* (合肥光伏玻璃公司), a member of the leading group and a member of the Party Committee of IRICO Group, the general manager and the Party secretary of the Company, an executive director of Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司) and the chairman of Xianyang IRICO Electronics Parts Co., Ltd. On 13 February 2019, Mr. Zou retired as an executive Director and the general manager of the Company as a result of reaching the statutory retirement age.

Mr. Chen Xiaoning (陳曉寧), aged 44, was an executive Director and the general manager of the Company, and joined the Group in July 1996. Mr. Chen graduated from Northwest University (西北大學) with an MBA degree. Mr. Chen is a senior engineer, a senior economist and a member of the Chinese Communist Party. Mr. Chen served as a technician, a group leader and a plant secretary of No. 1 IRICO Color Picture Tube Plant, the head of secretariat office, the head of administrative office and an administrative assistant to the general manager of IRICO Group, a deputy head and the head of the office of the Company, the deputy head and a secretary of discipline inspection commission of IRICO Photovoltaic Glass Factory, deputy head of the office of Board and office of general manager of the Company; the assistant to the general manager of the Company and the deputy general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and Hefei IRICO New Energy Co., Ltd., and the deputy general manager and an executive deputy general manager of the Company and the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and Hefei IRICO New Energy Co., Ltd. On 31 December 2019, Mr. Chen ceased to be an executive director and the general manager of the Company due to changes in job arrangements.

Mr. Tong Xiaofei (仝小飛), aged 42, is an executive Director and the executive deputy general manager of the Company (preside over work) and joined the Group in August 2003. Mr. Tong graduated from Shaanxi University of Science & Technology with a bachelor's degree in inorganic non-metallic materials. He is a senior engineer and a member of the Chinese Communist Party. He serves as an executive director, the general manager and the legal representative of IRICO (Hefei) Photovoltaic Co., Ltd., an executive director, the general manager and the legal representative of IRICO (Yan'an) New Energy Company Limited (彩虹(延安)新能源有限公司). He served as a melting technical engineer at the melting and assembling workshop of IRICO Glass Factory of IRICO Group, the head of the melting professional group of Photovoltaic Glass Project of IRICO Group, the head of the melting and assembling workshop of IRICO Photovoltaic Glass Factory, the assistant to the general manager and the deputy general manager of IRICO (Hefei) Photovoltaic Co., Ltd. ("IRICO Hefei"), the executive deputy general manager of Hefei IRICO New Energy Co., Ltd., the executive deputy general manager of IRICO Hefei, the assistant to the general manager of the Company, the head of the planning and technology department, the deputy head and office head of the science and technology committee, and the office head of the investment review committee of IRICO Group, etc.

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors (Continued)

Mr. Fan Laiying (樊來盈), aged 48, is a non-executive Director of the Company and joined the Group in October 2018. Mr. Fan graduated from Shaanxi University of Science & Technology with a bachelor's degree in accounting. Mr. Fan currently serves as the chief accountant of IRICO Group and a director of IRICO Display Devices Co., Ltd.. He successively served as the manager of the finance department of Kunshan IRICO Yingguang Electronics Company Limited, the chief accountant of the finance department of IRICO Group Sales Company* (彩虹集團銷售公司), the business manager of the finance department of IRICO Display Devices Co., Ltd., the head of finance department of Xianyang IRICO Thermoelectricity Co., Ltd. and Hefei IRICO Epilight Technology Co., Ltd, the financial controller of IRICO (Hefei) Photovoltaic Co., Ltd., Hefei IRICO New Energy Co., Ltd. (part-time) and the deputy chief economist of IRICO Group. Mr. Fan has served as the deputy chief accountant of IRICO Group since May 2016 (concurrently served as the financial controller of IRICO Display Devices Co., Ltd. from September 2016 to February 2017).

Mr. Ni Huadong (倪華東), aged 44, is a non-executive Director and the secretary to the Board of the Company, and a director of Shaanxi IRICO New Material Co., Ltd and Jiangsu IRICO Yongneng New Energy Company Limited and joined the Group in May 2017. Mr. Ni graduated from Nanjing University of Finance & Economics with a bachelor's degree, majoring in investment economics and a member of the Chinese Communist Party. He had served as investment specialist of the securities department, head of the corporate management center, assistant to the head and deputy head of the securities department of Nanjing Hua Dong Electronics Group Limited (南京華東電子集團有限公司); deputy director of the secretariat of the board of directors and representative of securities affairs of Nanjing Huadong Electronics Information & Technology Co., Ltd. ("**Huadong Technology**") (a company listed on Shenzhen Stock Exchange, stock code: 000727); deputy general manager of Nanjing Tian Xi Investment Co., Ltd. (南京天熙投資有限公司); general manager of Hong Kong Hua Jin Chen Technology Company Limited (香港華金晨科技有限公司); and representative of securities affairs, head of the securities department and head of office of the board of directors of Huadong Technology.

Mr. Feng Bing (馮兵), aged 53, is an independent non-executive Director of the Company and joined the Group in September 2004, and currently serves as the chief executive officer of HomeLegend, located in Georgia, USA. Mr. Feng has served as an executive member for China Mergers & Acquisition Association (中國併購公會) and the deputy director for its Jiangsu branch since 2002, and obtained his master's degree from Calculation Technology Research Institute of Chinese Academy of Sciences (中國科學院計算技術研究所) majoring in computer architecture and his master's degree in finance from the Faculty of Commerce at Syracuse University, respectively. He was an executive director and partner of China Financial and Consulting Company* (中華財務諮詢公司), a senior manager of Deloitte Consulting in New York, USA, and a part-time tutor of the Faculty of Commerce at Syracuse University.

Mr. Wang Jialu (王家路), aged 58, is an independent non-executive Director of the Company and joined the Group in September 2004. He completed his course for master's degree in business administration from Guanghai Management College of Peking University and the course for juris doctor from Marburg University of Germany, and received his MBA degree from Peking University and his LLM degree from the Law School of Marburg University of Germany. He is currently a partner of Commerce & Finance Law Office (通商律師事務所), an arbitrator in China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會), an arbitrator in the Beijing Arbitration Commission (北京仲裁委員會) and an adjunct lecturer for juris master's degree course in the Law Faculty of Peking University.

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors (Continued)

Mr. Wang Zhicheng (王志成), aged 45, is an independent non-executive Director of the Company and joined the Group in September 2013. He is a PhD in management (accounting), a PRC certified public accountant, an associate professor of Beijing National Accounting Institute (北京國家會計學院) and a tutor of postgraduates. Mr. Wang currently serves as an independent director of Beijing YJK Building Software Co., Ltd.* (北京盈建科軟件股份有限公司), an independent director of Duzhe Publishing & Media Corp.* (讀者傳媒股份有限公司), an independent director of Richinfo Technology Co., Ltd. and an external director of Xinxing Lingyun Pharmaceutical Chemicals Co., Ltd* (新興凌雲醫藥化工有限公司). He served as the manager of the enterprise risk management services department in one of the four largest international accounting firms and the director of the accounting teaching and research office of North China Electric Power University. Mr. Wang has engaged in the trainings in respect of enterprise risk management and internal control, budget management, and accounting standards for a long period at Beijing National Accounting Institute (北京國家會計學院) and Xiamen National Accounting Institute (廈門國家會計學院).

Supervisors

Ding Wenhui	58	Shareholder Supervisor, Chairman of the Supervisory Committee
Zhao Lefei	50	Staff Supervisor
Tang Haobo	59	Staff Supervisor Resigned as a staff supervisor on 1 April 2019
Wu Mingli	57	Staff Supervisor Appointed as a staff supervisor on 1 April 2019
Sun Haiying	76	Independent Supervisor
Wu Xiaoguang	62	Independent Supervisor

Mr. Ding Wenhui (丁文惠), aged 58, is the shareholder supervisor and chairman of the supervisory committee of the Company and holds a bachelor's degree and is a member of the Chinese Communist Party and a senior engineer and joined the Group in January 2017. He currently serves as the deputy secretary of the Chinese Communist Party and the chairman of the employee union of IRICO Group Corporation Limited * (彩虹集團有限公司). He had held various positions at No. 2 Colour Picture Tube Factory of IRICO Group including a technician, the head of the workshop and the deputy factory manager. He served as the deputy general manager and then the general manager of IRICO Display Devices Co., Ltd. He served as the head of human resource department, the head of executive department of the Chinese Communist Party (discipline inspection and supervision department), the deputy secretary of discipline inspection commission and general counsel of IRICO Group.

Profiles of Directors, Supervisors and Senior Management (Continued)

Supervisors (Continued)

Mr. Zhao Lefei (趙樂飛), aged 50, is a staff supervisor of the Company and joined the Group in November 1990. Mr. Zhao obtained a tertiary diploma in English from Xianyang Normal University (咸陽師範學院). He currently serves as the deputy secretary of the Party Committee, the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations (黨群辦) of the Company. He served as a publicity member of the youth league committee of IRICO Group, the human resources manager of Haikou IRICO Hot Spring Hotel (海口彩虹溫泉大酒店), a member of the organisation department of the Party Committee (黨委組織部), a secretary of the Party Committee, and a director assistant of the disciplinary inspection and supervision division (紀檢監察處) of IRICO Group, the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations of IRICO Spare Parts Factory* (彩虹零件廠), the secretary of the disciplinary committee, the chairman of the labor union and the director of the integrated management department (綜合管理部) of Xi'an IRICO Zixun Co., Ltd (西安彩虹資訊有限公司), the office director at Xi'an headquarters of IRICO Group and a deputy director of the office of the party and labor relations (黨群辦) of the Company (preside over work).

Mr. Tang Haobo (唐浩波), aged 59, is a staff supervisor of the Company and joined in the Group in August 1981. Mr. Tang graduated from Xi'an School of Radio Industry (西安無線電工業學校) majoring in radio with the educational background of secondary technical school, and then obtained a tertiary diploma in corporate management from IRICO University for Staff and Workers. Mr. Tang once held positions including vice head of the motor driving section and head of the equipment design office of the No. 2 Colour Picture Tube Factory, deputy general manager of Shenzhen IRICO Huangqi Company Limited (深圳彩虹皇旗公司), vice head of No. 1 Colour Picture Tube Factory, manager of IRICO Equipment Company Limited, vice head of IRICO Electron Gun Factory (彩虹電子槍廠), and vice general manager of operation and management department of the Company. On 1 April 2019, Mr. Tang ceased to be the staff supervisor of the Company due to changes in job arrangements.

Mr. Wu Mingli (武明利), aged 57, is a staff supervisor of the Company and joined in the Group in July 1989. Mr. Wu graduated from Northwest University with a bachelor's degree, majoring in organic chemistry and is a senior engineer. He is the head of the technology and quality department and the investment operating department of the Company. Mr. Wu had served as deputy director of the materials technology division of the product technology department of IRICO Group; director of quality assurance division and director of assembly workshop of No. 1 IRICO Color Picture Tube Plant; deputy head of technology and quality department and director of the technology centre of IRICO Group; director and general manager of Xi'an IRICO Information Co., Ltd.* (西安彩虹資訊有限公司); deputy factory manager of IRICO Electron Gun Factory* (電子槍廠); director and general manager of Xianyang Caiqin Electronics Device Co., Ltd.* (咸陽彩秦電子器件有限公司); director, deputy general manager and factory manager of the photovoltaic module factory of Photovoltaic Technology Company Limited* (光伏科技公司) and head of the technology and quality department of the Company.

Profiles of Directors, Supervisors and Senior Management (Continued)

Supervisors (Continued)

Mr. Sun Haiying (孫海鷹), aged 76, is an independent supervisor of the Company and joined the Group in September 2004. Mr. Sun graduated from the Northwest University (西北大學) in geography. He is currently the head and a professor of the Environmental Science and Engineering Centre of Xi'an Jiao Tong University (西安交通大學). He was a director of the Shaanxi Province Meteorological Bureau (陝西省氣象局), the director of Shaanxi Province Science and Technology Department (陝西省科學技術廳). He was a group leader of the Regional Science and Technology Development Group under the State Mid-and Long term Science and Technology Development Planning Team (國家中長期科學和技術發展規劃區域科技發展專題組) in July 2003.

Ms. Wu Xiaoguang (吳曉光), aged 62, is an independent Supervisor of the Company and joined the Group in September 2004. Ms. Wu was awarded a master's degree of business administration upon graduation from the Faculty of Business Administration of The Hong Kong Polytechnic University (香港理工大學). Ms. Wu acted as an associate professor of the School of Management at Xi'an Jiao Tong University, the head of the ACCA (Association of Chartered Certified Accountants) Project Centre and the director of Finance and Taxation Management Education Center, and has retired since September 2017. She was appointed as the professor of the Accounting School of Xi'an Eurasia University (西安歐亞學院) and the head of ACCA Project Centre in June 2018. She was appointed as the senior advisor of the international committee, the expert of the Accounting School of Xi'an Eurasia University in June 2019, and the head of ACCA Project Centre, an associate professor of the School of Management of Xi'an Jiaotong University and an independent director (the convenor of the audit committee) of Shaanxi Qinchuan Machinery Development Co., Ltd. (陝西秦川機床工具集團有限公司).

Other Senior Management

Ma Zhibin	54	Deputy general manager	
Yuan Guanqing	49	Deputy general manager	Resigned as a deputy general manager on 27 February 2019
Gu Qiang	41	Chief financial officer	Resigned as a chief financial officer on 31 December 2019
Wu Wenchao	54	Deputy general manager	
Huang Weihong	36	Chief financial officer	Appointed as a chief financial officer on 31 December 2019
Chu Xiaohang	50	Company Secretary	

Profiles of Directors, Supervisors and Senior Management (Continued)

Other Senior Management (Continued)

Mr. Ma Zhibin (馬志斌), aged 54, is the deputy general manager of the Company and the chairman and the legal representative of Hanzhong IRICO Jiarunze Mining Development Co., Ltd. (漢中彩虹佳潤澤礦業開發有限公司), and joined the Group in July 1987. Mr. Ma graduated from Shanghai Construction Materials College (上海建材學院) majoring in glass with college education background. He is a senior engineer and a Chinese Communist Party member. Mr. Ma formerly served as the technician specializing in melting, engineer, assistant to the head of workshop, vice head of the workshop, head of the work shop and Party branch secretary of a glass factory and the vice head of a glass factory of the Company; the vice general manager and Party secretary of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹(張家港)平板顯示有限公司), the vice head, the head and the Party secretary in Photovoltaic Glass Factory of the Company, the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and other positions.

Mr. Yuan Guanqing (袁官清), aged 49, a deputy general manager of the Company and the general manager of Xianyang IRICO Green Energy Co., Ltd., and a director and the general manager of Jiangsu IRICO Yongneng New Energy Company Limited. Mr. Yuan joined the Group in February 2016. He graduated from the School of Economics & Management of Southeast University with a master's degree in marketing and sales management. He is a member of the Chinese Communist Party and an economist. He served as an engineer of the tools and moulds factory, a sino-foreign joint venture manager of international cooperation department, an economist of investment and development department of Nanjing Huadong Electronic Group, the general manager of Nanjing Huadong Electronic Group Hong Kong Hua Jin Chen Technology Company Limited, an assistant to the head and deputy department head of the export and import department of Nanjing Huadong Electronics Group Co., Ltd., the vice general manager and general manager of Nanjing Huadong Electron Import & Export Limited Company, the head of import and export department of Nanjing Huadong Electronics Group Limited. On 27 February 2019, Mr. Yuan ceased to be a deputy general manager of the Company due to changes in job arrangements.

Mr. Gu Qiang (谷強), aged 41, is the chief financial officer of the Company and a director of Shaanxi IRICO New Material Co., Ltd., a supervisor of Xianyang IRICO Green Energy Co., Ltd. and Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司). He joined the Group in November 2015. Mr. Gu graduated from Xi'an Jiao Tong University with a bachelor's degree in accounting, is a member of the Chinese Communist Party and an accountant. He served as the accountant of Northwestern Electric Power Design Institute and the financial supervisor of Xi'an National Civil Aeronautics Industrial Base Development Company Limited, the financial manager of Huawei Technology Limited, the chief financial officer of Xi'an Juguang Technology Company Limited and an assistant to the chief financial officer of the Company. On 31 December 2019, Mr. Gu retired as a chief financial officer of the Company due to changes in job arrangements.

Profiles of Directors, Supervisors and Senior Management (Continued)

Other Senior Management (Continued)

Mr. Wu Wenchao (吳文超), aged 54, the deputy general manager of the Company and the head of Xianyang IRICO Photovoltaic Glass Factory (咸陽彩虹光伏玻璃廠). Mr. Wu joined the Group in July 1989. Mr. Wu graduated from Shaanxi Engineering College with a bachelor degree in machine manufacturing technology and equipment, and is a senior engineer and a member of the Chinese Communist Party. He served as a leader and an engineer of the grinding group of No. 2 drilling workshop, an engineer and an associate chief engineer of the processing technique office of the technical section, the deputy head and the head of the factory office, the head of the technical and quality section, an assistant to the factory director and the deputy factory director of IRICO Glass Factory, an assistant to the factory director and the head of the technical and quality department as well as the deputy factory director and factory director of IRICO Photovoltaic Glass Factory, and the assistant to the general manager of the Company.

Mr. Huang Weihong (黃衛宏), aged 36, is a chief financial officer of the Company and joined the Group in December 2019. Mr. Huang graduated from Nanjing Audit University with a bachelor's degree in auditing. He is a member of the Chinese Communist Party, a senior auditor and an international certified internal auditor. He served as an auditor of the auditing bureau of the Bureau of Agriculture and Farming of Hainan Province, the audit manager of the China Aero-Polytechnology Establishment, the head of the audit department of Shaanxi Tourism Co. Ltd.* (陝西旅遊股份有限公司), the manager and representative of securities affairs of securities affairs department of Shaanxi Tourism Culture Industry Holding Co. Ltd.* (陝西旅遊文化產業股份有限公司), and the head of the audit department of IRICO Group.

Mr. Chu Xiaohang (褚曉航), aged 50, the Joint Company Secretary and general counsel of the Company and joined the Group in July 1991. Mr. Chu graduated from Northwest University (西北大學) with a bachelor's degree in computer science and is a senior engineer. He obtained a master's degree in project management from the Graduate School of Chinese Academy of Sciences. He currently serves as the head of asset legal division. He served as a senior project management engineer in the strategic planning department of IRICO Group, head of the office of the Board, Joint Company Secretary and Secretary of the Board of the Company.

Profiles of Directors, Supervisors and Senior Management (Continued)

Changes in Directors, Supervisors and Senior Management

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in particulars of Directors, supervisors and senior management during the reporting period are set out below:

Mr. Zou Changfu has ceased to serve as an executive Director and the general manager of the Company since 13 February 2019.

Mr. Chen Xiaoning has ceased to serve as a non-executive Director and the executive deputy general manager of the Company and has been appointed to serve as an executive Director and the general manager of the Company since 13 February 2019. Since 31 December 2019, Mr. Chen Xiaoning ceased to serve as an executive Director and the general manager of the Company.

Mr. Yuan Guanqing has ceased to serve as a deputy general manager of the Company since 27 February 2019.

Mr. Tang Haobo has ceased to serve as a staff supervisor of the Company since 1 April 2019.

Mr. Wu Mingli has served as a staff supervisor of the Company since 1 April 2019.

Mr. Ni Huadong has served as a non-executive Director of the Company since 28 May 2019.

Mr. Tong Xiaofei has served as an executive deputy general manager of the Company (preside over work) since 31 December 2019, and he has served as an executive Director of the Company since 20 January 2020.

Mr. Gu Qiang has ceased to serve as a chief financial officer of the Company since 31 December 2019.

Mr. Huang Weihong has served as a chief financial officer of the Company since 31 December 2019.

Report of the Board

The Board hereby presents the report of the Directors and the audited financial report of the Group for the year ended 31 December 2019 to the Shareholders.

Principal operations

The Group is principally engaged in the construction and operation of solar power station, the R&D, production and sales of solar photovoltaic glass, solar cell modules and related products, lithium battery upstream materials and related materials of flat panel display; and photovoltaic glass upstream quartz sand processing.

Business review and future development

During the reporting period, the Group focused on the development of its two core businesses, namely, the new energy and new materials businesses, continued to work on making its solar photovoltaic glass business more superior and powerful, and promoted to take the advantage of the integration of solar photovoltaic industry chain to develop economies of scale; at the same time, the Group unceasingly expanded into the fields of electronic functional materials including integrated circuits, new flat panel displays and new energy materials, and the general layout for high-quality development has basically formed.

The Group went on strengthening its strategic leadership, concentrated on reform and innovation, and strived to build a world-renowned green new energy service provider and top-notch new material supplier in the world.

Major risks and uncertainties

During the year of 2019, there has been a positive development in photovoltaic glass market compared with last year, notwithstanding that, certain risks existed in the Company's sales receivables for photovoltaic glass due to the shortage of funds in the photovoltaic industry. In response, the Company controlled the overall risk in receivables at a normal level through multiple measures such as strengthening the research and judgment of the industry situation, improving customer credit control, optimizing customer structure, and increase debt collection efforts in the market peak season.

Environmental protection policy

For the corporate survival and development, the Group seriously performs its corporate social responsibility and strictly comply with the Environmental Protection Law of the People's Republic of China and relevant laws and regulations. By making the best efforts in environmental protection technological improvement, monitoring and controlling over environmental protection indicators and regulating the management of operation and maintenance of environmental protection facilities, the Group ensures high efficiency operation and achievement of emission standards, thereby building a resources saving and environment friendly enterprise.

Report of the Board (Continued)

Compliance with relevant laws and regulations

During the reporting period, the Company strictly complied with laws and regulations which have material impacts on the Company.

The Group strictly complied with the requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the articles of association of the Company (the “**Articles of Association**”) to improve the Material Decision-making Management Measures while amending, supplementing and formulating the Administrative Measures which formed a governance system with standardized decision making, high efficiency operation and effective supervision. The Company will continue to push forward the improvement of corporate governance standard and the development of its business.

Results and dividend

During the reporting period, the Group recorded operating revenue of RMB2,245.11 million, representing a year-on-year decrease of RMB86.81 million or 3.72%, and net profits attributable to the owners of the parent of RMB93.14 million, representing a year-on-year increase of RMB11.84 million or 14.57%.

For the analysis on the financial indicator of the results of the Company for the year 2019, please see the section headed “Management Discussion and Analysis” in this report.

The annual results of the Group for the year ended 31 December 2019 and its financial position as at the same date prepared in accordance with PRC Accounting Standards for Business Enterprises are set out from page 2 to 3 of this annual report.

The Company has adopted a dividends distribution policy pursuant to relevant regulations, taking into consideration of various elements including but not limited to the Company's actual and expected financial performance, the production and operation of the Company, etc. When the Company distributes its yearly profits after tax, 10% of the profits shall be withdrawn as legal surplus. When the Company's legal surplus has accumulated up to the amount of more than 50% of the Company's registered capital, the withdrawal thereof can be stopped. If the Company's legal surplus is not sufficient to compensate for the loss of the previous year, the profits of the year shall, prior to the withdrawal for legal surplus, cover the losses first. Profits left after making up for losses and the withdrawal of the legal surplus shall be allocated in accordance with the proportion of shares held by the Shareholders. The Company may distribute the dividends by cash or by stocks.

In light of the absence of accumulated surplus in 2019, the Board has resolved not to distribute any final dividend for the year ended 31 December 2019, which is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

Report of the Board (Continued)

Five year financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited and adjusted (if applicable) financial statements, is set out on page 322 of this annual report. This summary does not form part of the audited financial statements.

Share capital

Details of the Company's share capital in 2019 and as at 31 December 2019 are set out in note XXXV to the financial statements.

Purchase, redemption and sale of shares of the Company

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

Reserves

Details of the movements of reserves of the Company and of the Group during 2019 are set out in the Consolidated Statement of Changes in Equity.

Major customers and suppliers

The percentage of purchases from the major suppliers and sales to the major customers of the Group is set out as follows:

Purchase

- The largest supplier accounted for 13% of the total purchase amount
- The five largest suppliers accounted for 36% of the total purchase amount

Sales

- The largest customer accounted for 9% of the total sales amount
- The five largest customers accounted for 33% of the total sales amount

To the best knowledge of the Directors, none of the Directors, their respective associates or any Shareholder holding more than 5% of the issued share capital of the Company, had any interest in the above-mentioned major suppliers and customers.

Report of the Board (Continued)

Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the Company for the year were as follows:

Name	Positions	Date of appointment/re-designation/resignation during the reporting period
Si Yuncong	Executive Director and Chairman	
Zou Changfu	Executive Director	Retired on 13 February 2019
Chen Xiaoning	Executive Director	Re-designated from non-executive director to executive director on 13 February 2019; resigned on 31 December 2019
Tong Xiaofei	Executive Director	Appointed on 20 January 2020
Fan Laiying	Non-executive Director	
Ni Huadong	Non-executive Director	Appointed on 28 May 2019
Feng Bing	Independent non-executive Director	
Wang Jialu	Independent non-executive Director	
Wang Zhicheng	Independent non-executive Director	
Ding Wenhui	Supervisor and Chairman of Supervisory Committee	
Zhao Lefei	Supervisor	
Tang Haobo	Supervisor	Resigned on 1 April 2019
Wu Mingli	Supervisor	Appointed on 1 April 2019
Sun Haiying	Supervisor	
Wu Xiaoguang	Supervisor	
Zou Changfu	General Manager	Retired on 13 February 2019
Chen Xiaoning	General Manager	Appointed as the general manager and ceased to be an executive deputy general manager on 13 February 2019; resigned as the general manager on 31 December 2019
Tong Xiaofei	Executive Deputy General Manager (in charge)	Appointed on 31 December 2019
Ma Zhibin	Deputy General Manager	
Yuan Guanqing	Deputy General Manager	Resigned on 27 February 2019
Gu Qiang	Chief Financial Officer	Resigned on 31 December 2019
Ni Huadong	Secretary of the Board	
Wu Wenchao	Deputy General Manager	
Huang Weihong	Chief Financial Officer	Appointed on 31 December 2019
Chu Xiaohang	Company Secretary	

Biographical details of Directors, supervisors and senior management are set out on pages 22 to 30.

Each of the independent non-executive Directors has issued a confirmation in respect of the requirement set out in Rule 3.13 of the Listing Rules concerning his independence. The Company considers all of the independent non-executive Directors to be independent.

Report of the Board (Continued)

Remuneration of Directors and the Five Highest Paid Individuals

Details of the remuneration of Directors and the highest paid individuals of the Group are set out in note X. (V) to the financial statements.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2019.

Remuneration of senior management

According to Code B.1.5 of the Corporate Governance Code, the details of the annual remuneration of the senior management for the year 2019 which contained in note X. (V) to the financial statements in this annual report are as follow:

(Unit: RMB)

Name	Fees	Salary and allowance	Pension insurance	Others	Total
Zou Changfu	–	38,765.61	6,241.20	5,696.86	50,703.67
Chen Xiaoning	–	387,242.34	31,481.17	45,850.73	464,574.24
Tong Xiaofei	–	–	–	–	–
Ma Zhibin	–	310,973.98	32,454.24	34,145.01	377,573.23
Yuan Guanqing	–	75,914.71	5,389.44	10,230.64	91,534.79
Gu Qiang	–	328,262.46	32,454.24	34,145.01	394,861.71
Ni Huadong	–	323,416.65	37,698.12	61,820.82	422,935.59
Wu Wenchao	–	337,383.98	32,454.24	34,145.01	403,983.23
Huang Weihong	–	–	–	–	–

Directors' and supervisors' interests in contracts

Save as disclosed in this report, no contract of significance in relation to the Company's business to which the Company or its subsidiaries were a party and in which a Director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or anytime during 2019.

Report of the Board (Continued)

Directors' and supervisors' service contracts

Each of the Directors and supervisors has entered into a service contract with the Company. None of the Directors or supervisors proposed for re-election at the forthcoming general meeting has an unexpired service contract which is not terminable by the Company or its subsidiaries within a year without payment of any compensation (other than statutory compensation).

Permitted indemnity provision

During the reporting period and as at 31 December 2019, the Company has arranged for liability insurance policies for the Directors and supervisors and to provide adequate protection for the Directors and supervisors.

Interests of Directors, supervisors and chief executives in shares of the Company and its associated corporations

As at 31 December 2019, none of the Directors, supervisors or chief executives 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 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 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 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).

Interests and short positions of substantial Shareholders and other parties

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 31 December 2019 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

China Electronics Corporation* (中國電子信息產業集團有限公司) ("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 of the Company) and 31,546,000 H shares of the Company, whereas HKSCC Nominees Limited had interests in 628,839,446 H shares of the Company (representing 99.68% of the H share capital of the Company).

Report of the Board (Continued)

Interests and short positions of substantial Shareholders and other parties (Continued)

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 and the chairman of Trade Union of IRICO Group.

Notes:

As at 31 December 2019, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 628,839,446 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).

Competing Interests

None of the Directors, the controlling Shareholder or their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group or has or may have any other conflicts of the interest with the Group.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period.

Report of the Board (Continued)

Designated deposit and overdue time deposit

As at 31 December 2019, the Group had no designated deposits in any financial institutions in China. All of the Group's cash deposits are placed with commercial banks in China, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

Employees, retirement benefits and other benefits

As at 31 December 2019, the Group had 2,069* incumbent employees, of whom 11% were management and administrative personnel, 9.9% were technological personnel, 1.6% were accounting and audit personnel, 1.6% were sales and marketing personnel, and 75.9% were production employees.

The employment and remuneration policy of the Company remained the same as set out in the Company's prospectus dated 8 December 2004. With full enthusiasm in work, the Group's employees are committed to ensuring the high quality and reliability of products and services.

* Excluding service dispatch workers.

Connected transactions

The connected transactions recorded during the year are as follows:

1. Continuing connected transactions during the year of 2019
 - 1) For the year ended 31 December 2019, there were various continuing connected transactions (the "Continuing Connected Transactions") between the Group and the following connected persons of the Group (collectively, the "Connected Persons" and each a "connected person" under the Listing Rules).
 - (a) IRICO Group Corporation Limited ("IRICO Group"), a substantial Shareholder, the sole promoter of the Company and a connected person of the Company;
 - (b) Xianyang Zhongdian IRICO Group Holdings Ltd.* ("Zhongdian IRICO"), an associate of CEC and IRICO Group, both of which are in turn controlling Shareholders. Therefore Zhongdian IRICO is a connected person of the Company;
 - (c) Nanjing Electronics Information Industrial Corporation ("NEIIC"), a subsidiary and thus an associate of CEC. Therefore NEIIC is also a connected person of the Company; and

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

1) (Continued)

- (d) China Electronics System Engineering No.2 Construction Co., Ltd.* (“CESEC No.2”), a subsidiary and thus an associate of CEC. Therefore CESEC No.2 is also a connected person of the Company.

For the year ended 31 December 2019, the approved annual caps for each of the continuing connected transactions (the “Annual Caps”) and the actual revenue or expenditure in respect of each of the continuing connected transactions are set out below:

No.	Item	Annual Caps for Connected Transaction of 2019 RMB'000	Amount incurred for Connected Transaction of 2019 RMB'000
(i)	IRICO Group Master Purchase Agreement Purchase of packaging materials and raw materials, electricity and ancillary services from IRICO Group	99,326	48,437
(ii)	Zhongdian IRICO Master Purchase Agreement Purchase of materials and utilities necessary for solar photovoltaic business and new materials business, including materials, water, electricity, gas and other utilities and ancillary services from Zhongdian IRICO	105,123	57,881
(iii)	Zhongdian IRICO Premises Leasing Framework Agreement Zhongdian IRICO shall lease factories and office premises owned by it to the Company with a maximum area of 93,960 square meters	12,966	2,009
(iv)	NEIIC Master Sales Agreement Sales of electricity, photovoltaic products and new material products to NEIIC	357,225	11,161
(v)	NEIIC Master Purchase Agreement Purchase of materials used for production of solar photovoltaic glass, raw materials necessary for new material business and relevant products from NEIIC	233,460	123,909
(vi)	Procurement and Installation Contract Provision of power piping and pipe rack procurement and installation services to Yan'an New Energy by CESEC No.2	3,500	2,973

The consideration for each of the continuing connected transactions listed above during the reporting period is set out in the respective agreements with relevant connected persons, details of which were set out in the Company's announcements dated 23 October 2018, 18 December 2018 and 28 August 2019 and the circular dated 3 December 2018.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(i) IRICO Group Master Purchase Agreement

Date:	23 October 2018
Parties:	(i) the Company as the purchaser; and (ii) IRICO Group as the supplier
Term:	1 January 2019 to 31 December 2021, subject to early termination by the Company by giving at least three months' prior written notice to IRICO Group. IRICO Group shall not unilaterally terminate the IRICO Group Master Purchase Agreement without written consent of the Company.
Nature of transactions:	The Company shall purchase packaging materials and raw materials, electricity and ancillary services from IRICO Group.
Pricing policy:	(i) The prices for the packaging materials and raw materials shall be determined in accordance with the Market Price (as defined below):

“Market Price” shall be determined in accordance with the following order: (a) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (b) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(i) IRICO Group Master Purchase Agreement (Continued)

- Pricing policy:
(Continued)
- (ii) The prices for the electricity and ancillary services shall be determined in accordance with the following policies:
- (a) Where there is Government-prescribed Price, the prices for the electricity shall be determined based on arm's length negotiations between the relevant parties with reference to (i) the Government-prescribed Price (as defined below); and (ii) reduction from the government incentives offered by Anhui Provincial Government to IRICO Group. After taking into account of the government incentives offered by Anhui Provincial Government to IRICO Group for the building and operation of the electrical transformer substation for the development of the new industrial area in Hefei City, Anhui Province, the overall unit price of electricity supplied by IRICO Group to the Company will be lower than the Government-prescribed Price; or
 - (b) Where there is Government-prescribed Price for ancillary services, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price; or
 - (c) Where there is no Government-prescribed Price, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to reasonable costs incurred plus reasonable profit. The reasonable costs primarily include raw materials, labour, taxation, management fee, etc., and the margin generally does not exceed 3%.

"Government-prescribed Price" means the prices of electricity in Anhui Province or Shaanxi Province as prescribed by the State Grid Corporation of China as updated and amended from time to time or the price guidelines for ancillary services stipulated in the notice issued by the price bureau of Anhui Province or Shaanxi Province.

The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(ii) *Zhongdian IRICO Master Purchase Agreement*

Date:	23 October 2018
Parties:	(i) The Company as the purchaser; and (ii) Zhongdian IRICO as the supplier
Term:	1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least three months' prior written notice to the other party.
Nature of transactions:	The Company shall purchase materials and utilities necessary for the solar photovoltaic business and the new materials business, including materials, water, electricity, gas and other utilities and ancillary services from Zhongdian IRICO.
Pricing policy:	(i) The prices for the materials necessary for production shall be determined in accordance with the "Market Price" (as defined below).

"Market Price" shall be determined in accordance with the following order: (a) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (b) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(ii) *Zhongdian IRICO Master Purchase Agreement (Continued)*

- | | |
|-------------------------------|---|
| Pricing policy
(Continued) | <p>(ii) The prices for the utilities necessary for production, including water, electricity, gas and other utilities and ancillary services, shall be determined in accordance with the following policies:</p> <ul style="list-style-type: none">(a) where there is Government-prescribed Price (as defined below), in respect of the utilities necessary for production, including water, gas and other utilities and ancillary services, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price; or(b) where there is Government-prescribed Price, in respect of electricity necessary for production, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price for electricity or the management fee on the electricity transformer substation in proportion to the usage of electricity by the Company payable to Xianyang Electric Power Supply Bureau by Zhongdian IRICO; or(c) where there is no Government-prescribed Price, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to reasonable costs incurred plus reasonable profit. The reasonable costs primarily include raw materials, labour, taxation, management fee, etc. |
|-------------------------------|---|

The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(ii) *Zhongdian IRICO Master Purchase Agreement (Continued)*

Pricing policy
(Continued)

“Government-prescribed Price” means the guidelines for prices of utilities, which are applicable to water, electricity and natural gas under the Zhongdian IRICO Master Purchase Agreement as prescribed in the notifications published by Shaanxi Provincial Price Bureau, Shaanxi Provincial Development and Reform Commission and other relevant regulatory authorities from time to time, for instance, the Notice on Adjustments to the Prices of Power Grid in Shaanxi Province published by Shaanxi Provincial Price Bureau from time to time, and the Notice on Reducing the City-gate Price for Non-residential Use of Natural Gas and Further Promotion of Price Marketization Reform published by National Development and Reform Commission from time to time.

The pricing policies of cost plus reasonable profit are applicable to other utilities and ancillary services under the Zhongdian IRICO Master Purchase Agreement where there is no Government-prescribed Price, including softened water, chilled water, high pressure air, nitrogen, purified air, etc.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(iii) Zhongdian IRICO Premises Leasing Framework Agreement

Date:	23 October 2018
Parties:	(i) Zhongdian IRICO as the lessor; and (ii) the Company as the lessee
Term:	1 January 2019 to 31 December 2021
Nature of transactions:	Zhongdian IRICO shall lease factories and office premises owned by it to the Company with a maximum area of 93,960 square meters.
Pricing:	Monthly rental is RMB11.5 per square meter, which shall be actually settled according to the actual leased area.

The rental payable under the Zhongdian IRICO Premises Leasing Framework Agreement was determined with reference to the prevailing market conditions and the rental levels of similar premises and properties in the vicinity of the leased premises and properties.

The Directors are of the view that the price is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(iv) NEIIC Master Sales Agreement

Date:	23 October 2018
Parties:	(i) the Company as the supplier; and (ii) NEIIC as the purchaser
Term:	1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least one month prior written notice to the other party.
Nature of transactions:	The Company shall sell electricity, photovoltaic products (photovoltaic modules) and new material products (photoresist) to NEIIC.
Pricing policy:	(i) The prices for the electricity shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price (as defined below). "Government-prescribed Price" means the prices of electricity in Jiangsu Province as prescribed by the State Grid Corporation of China as updated and amended from time to time. (ii) The prices for the photovoltaic products (photovoltaic modules) and the new material products (photoresist) shall be determined in accordance with the Market Price (as defined below). "Market Price" shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC. The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(v) NEIC Master Purchase Agreement

Date:	23 October 2018
Parties:	(i) the Company as the purchaser; and (ii) NEIC as the supplier
Term:	1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least three months' prior written notice to the other party.
Nature of transactions:	The Company shall purchase materials used for production of solar photovoltaic glass (including mould proof paper and coating solution), raw materials for new material business (including $\text{Ni}_x\text{Co}_y\text{Mn}_z(\text{OH})_2$) and relevant products from NEIC.
Pricing policy:	The prices for the materials (including mould proof paper and coating solution) and products (including $\text{Ni}_x\text{Co}_y\text{Mn}_z(\text{OH})_2$) shall be determined in accordance with the Market Price (as defined below).

"Market Price" shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(vi) Procurement and Installation Contract

Date:	20 November 2017
Parties:	(i) IRICO Yan'an New Energy Co., Ltd.* ("Yan'an New Energy") as the purchaser; and (ii) CESEC No.2 as the supplier
Term:	Three years ending 31 December 2020
Nature of transactions:	CESEC No.2 shall provide power piping and pipe rack procurement and installation services to Yan'an New Energy.
Pricing policy:	The prices for the services provided shall be determined in accordance with the Market Price.

"Market Price" shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products or services in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third party in the ordinary and usual course of business for the sales or purchases of the same or similar type of products or services in the PRC.

The Directors are of the view that such pricing policies are fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

(vi) Procurement and Installation Contract (Continued)

Revised Annual Cap and Basis for the Revised Annual Cap

The original annual cap for the year ending 31 December 2019 in respect of the transactions under the Procurement and Installation Contract is RMB2.3 million. Based on internal estimation, the Board is of the view that such original annual cap will not be sufficient for the Company's current requirements. On 28 August 2019, the Board approved to revise the annual cap for the year ending 31 December 2019 in respect of the transactions under the Procurement and Installation Contract as set out in the table below:

	<i>(RMB'000)</i> Revised annual cap for the year ended 31 December 2019
Fees payable by Yan'an New Energy to CESEC No.2 under the Procurement and Installation Contract	3,500

The revised annual cap for the year ending 31 December 2019 in respect of the transactions under the Procurement and Installation Contract has been determined primarily based on the following factors: (i) upon its establishment in June 2016, Yan'an New Energy commenced the construction of the photovoltaic glass furnace project. According to the needs of its development, the construction progress has been accelerated, the production line needs the supply of complete kinetic energy supporting facilities, and all supporting projects are scheduled to be completed by 2019. Therefore, the Company expects an increase in the demand for the procurement and installation services to be provided by CESEC No.2 under the Procurement and Installation Contract; and (ii) the historical amount for the year ending 31 December 2018 in respect of the transactions under the Procurement and Installation Contract.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2019 (Continued)

The independent non-executive Directors had reviewed these continuing connected transactions and confirmed to the Board that these transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the terms of respective agreements governing such transactions which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditor of the Company had given a letter to the Directors of the Company, confirming that the above continuing connected transactions:

- (1) were approved by the Board of the Company;
- (2) were carried out in accordance with the pricing policies of the Company;
- (3) were carried out in accordance with respective agreements governing such transactions; and
- (4) did not exceed the existing annual caps.

Report of the Board (Continued)

Connected transactions (Continued)

2. One-off connected transactions

- (1) On 24 May 2019, each of the Company, IRICO(Hefei) Photovoltaic Co., Ltd. (“**Hefei Photovoltaic**”) and Shaanxi IRICO New Material Company Limited* (“**IRICO New Material**”) entered into the accounts receivable assignment agreements with 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.

On 24 May 2019, CEC, the ultimate controlling Shareholder of the Company indirectly holding approximately 73.15% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited, is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the accounts receivable assignment agreements constitute connected transactions of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the transactions contemplated under the accounts receivable assignment agreements, when aggregated with the transfer of 51% equity interest in Zhuhai Caizhu by the Company to Zhongdian IRICO, exceeds 5% but is less than 25%, such transactions constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. On 16 July 2019, such transactions have been approved by the independent Shareholders at the extraordinary general meeting.

For details, please refer to the announcements of the Company dated 24 May 2019, 31 May 2019 and 16 July 2019 and the circular of the Company dated 28 June 2019.

Report of the Board (Continued)

Connected transactions (Continued)

2. One-off connected transactions (Continued)

- (2) On 24 July 2017, the Board approved 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 new 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 has conditionally agreed to subscribe in cash for, and the Company has 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 the subscription agreement, Zhangjiagang Investment has conditionally agreed to subscribe in cash for and the Company has conditionally agreed to allot and issue not more than 500 million new H shares at a consideration of RMB500 million. In addition, in order to successfully implement the new H share issue and make effective use of the resource allocation function 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 number of new H shares to be issued by the Company 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 as announced on 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 has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 200 million new H shares at a consideration of RMB200 million. On 23 January 2019, the resolution in relation to the proposed H share issue under a specific mandate was approved by the shareholders or the holders of H shares (as the case may be) at the extraordinary general meeting and the H share class meeting, respectively. The resolution in relation to the proposed subscription by Zhongdian IRICO was approved by the independent shareholders at the extraordinary general meeting.

Report of the Board (Continued)

Connected transactions (Continued)

2. One-off connected transactions (Continued)

The resolution in relation to the proposed H share issue and related matters under a specific mandate, including the authorisation to the Board to deal with matters relating to the proposed H share issue (the above resolution was approved as a special resolution at the extraordinary general meeting and the H share class meeting held on 23 January 2019, respectively), the validity period will expire on 22 January 2020. At present, the Company has received the issue approvals from the SASAC and the CSRC, respectively. The Company still need certain amount of time to approach and negotiate with the other potential investors and handle the administrative matters for the implementation of proposed H share issue. In order to ensure the smooth implementation of the proposed H share issue, on 20 January 2020, the resolutions in relation to the extension of validity period of resolution in respect of the proposed H share issue and related matters (including the extension of validity period of the authorisation to the Board to deal with matters relating to the proposed H share issue) was approved by the shareholders or the holders of H shares (as the case may be) at the extraordinary general meeting and the H share class meeting, respectively, and the resolution in relation to the proposed subscription by Zhongdian IRICO was also approved by the independent shareholders at the extraordinary general meeting.

Zhongdian IRICO, which is directly held as to 72.08% by CEC and as to 27.92% by IRICO Group, is an associate of CEC and IRICO Group, and thus, Zhongdian IRICO is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the subscription of new H shares by Zhongdian IRICO constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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, 6 June 2019, 6 December 2019 and 20 January 2020 and the circular dated on 31 December 2018 and 31 December 2019.

In respect of each related party transaction disclosed in note X. (V) to the financial statements, the Company confirms that it has complied with the relevant requirements under the Listing Rules.

Save as disclosed above, the related party transactions set out in note X. (V) to the financial statements do not constitute connected transactions under Chapter 14A of the Listing Rules.

Report of the Board (Continued)

Plan of the Group for material investment and acquisition of capital assets

During the reporting period, the Group had no plan for material investment and acquisition of capital assets.

Bank loans

As at 31 December 2019, details of bank loans of the Group are set out in note XXI, XXVII, XXVIII, XXX, XXXII to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association or relevant laws and regulations which could oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Subsidiaries

Details of the subsidiaries of the Company are set out in note VII to the financial statements.

External guarantee

The Group did not have any external guarantee during the year.

Material litigation

During the reporting period, the Company had no material litigation.

Contingent liabilities

As at 31 December 2019, the Group had no significant contingent liabilities.

Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. During the year ended 31 December 2019, the Company has complied with the Code Provisions of the CG Code.

Report of the Board (Continued)

Model Code

As to securities transactions by Directors, the Company has adopted the Model Code as the code for securities transactions by Directors. Having made specific enquiries of all Directors, the Company has confirmed that all Directors have fully complied with all the requirements set out in the Model Code.

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 relevant minimum percentage applicable to listed securities was maintained at any time throughout the reporting period.

Audit committee

The audit committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2019, including the accounting principles adopted by the Group.

Auditor

On 2 December 2016, the Board proposed to dismiss the Company's domestic auditor ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) and overseas auditor ShineWing (HK) CPA Limited (信永中和(香港)會計師事務所有限公司), and proposed to appoint WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) and PKF Hong Kong (大信梁學濂(香港)會計師事務所) as the domestic auditor and overseas auditor of the Company respectively for a term commencing on the date of approval by the Shareholders at the extraordinary general meeting up to the date of the 2016 annual general meeting of the Company. The related resolution was approved by the Shareholders at the extraordinary general meeting held on 18 January 2017. For details, please refer to the announcements of the Company dated 2 December 2016 and 18 January 2017.

On 10 May 2017, due to the reorganization of PKF Hong Kong to PKF Hong Kong Limited (大信梁學濂(香港)會計師事務所有限公司), PKF Hong Kong would retire as the overseas auditor of the Company after the conclusion of the forthcoming annual general meeting of the Company and would not seek reappointment. The Board proposed to appoint PKF Hong Kong Limited as the new overseas auditor of the Company following the retirement of PKF Hong Kong, for a term commencing on the date of approval by the Shareholders at the annual general meeting up to the date of the 2017 annual general meeting of the Company. The resolution in relation to the re-appointment of WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) as the domestic auditor of the Company for Year 2017 and appointment of PKF Hong Kong Limited (大信梁學濂(香港)會計師事務所有限公司) as the overseas auditor of the Company for Year 2017 was approved by the Shareholders at the annual general meeting held on 30 June 2017. For details, please refer to the announcements of the Company dated 10 May 2017 and 30 June 2017.

Report of the Board (Continued)

On 6 November 2017, in view of the above change of basis for preparation of overseas financial report of the Company, the Board proposed to cease the re-appointment of PKF Hong Kong Limited (大信梁學濂(香港)會計師事務所有限公司) as the overseas auditor of the Company for the year 2018, and appoint WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) as the auditor of the Company to carry out audit on the financial statements of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises and discharge the duties as an overseas auditor under the Listing Rules. The resolution in relation to the appointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for 2018 was approved by the Shareholders at the annual general meeting held on 25 May 2018. For details, please refer to the announcements of the Company dated 6 November 2017 and 25 May 2018.

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.

The financial statements of the Company for the year 2019 have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP. For further information of the auditors of the Company, please refer to "External auditor and their remunerations" under Corporate Governance Report of this annual report.

By order of the Board
Si Yuncong
Chairman

Xianyang, the People's Republic of China
26 March 2020

Report of the Supervisory Committee

In 2019, all members of the supervisory committee of the Company (the “**Supervisory Committee**”) complied with the principle of integrity, were responsible to all Shareholders and sincerely performed the duties of supervision to practically safeguard the interests of the Shareholders in strict compliance with relevant provisions under relevant laws and regulations of China and the Articles of Association. They supervised and examined significant operating activities, the financial status of the Company, performance of duties by the Directors and senior management and the compliance with relevant laws and regulations in 2019. I hereby present the work report of 2019 as follows:

During this year, pursuant to the requirement of the Articles of Association, the Supervisory Committee has reviewed financial reports regularly. In 2019, the Supervisory Committee held two meetings, and reviewed the following proposals: the 2018 work report of the Supervisory Committee, the audited financial report of 2018, the reviewed interim financial report for the first half of 2019, the Rules of Procedures for Meetings of the Supervisory Committee of the Company. The convening of meetings was in compliance with the relevant requirements of the PRC Company Law and the Articles of Association.

In 2019, the supervisors of the Company attended Board meetings and general meetings in 2019.

Pursuant to the PRC Company Law and other applicable laws and regulations and the Articles of Association, the Supervisory Committee performed serious supervision and examination on the procedures of Board meetings, resolutions, the execution by the Board of the resolutions passed in general meetings, the performance of duties by senior management and the establishment, fulfillment and thorough execution of the Company’s internal management systems.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company operated strictly in compliance with the PRC Company Law and PRC Securities Law, the Articles of Association and other relevant regulations and rules of Hong Kong, performed their duties with integrity and diligence, and executed various resolutions and authorization passed in general meetings, to ensure that the operation of various businesses comply with the requirements of applicable laws and regulations. Through the establishment of a series of systems, the Company further improved the corporate governance structure and the internal management system and established and improved the internal control system. In the process of the examination of the financial status of the Company and the supervision of the performance of the duties of the Directors and senior management of the Company, the Supervisory Committee did not identify any behaviour prejudicial to the interest of the Company and the Shareholders, or any behaviour in contravention to laws and regulations, the Articles of Association and various rules and systems.

The Supervisory Committee is confident in the prospect of the Company and will proceed to carry out effective supervision on the operation of the Company to safeguard the interests of the Shareholders and the Company as a whole.

By order of the Supervisory Committee
Ding Wenhui
Chairman of the Supervisory Committee

Xianyang, the People’s Republic of China
26 March 2020

Environmental, Social and Governance Report

This environmental, social and governance (“ESG”) report (the “**Report**”) was prepared to present the performance of environmental and social responsibility of IRICO Group New Energy Company Limited* (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year from 1 January 2019 to 31 December 2019 (the “**reporting period**”). This Report was prepared with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of the Company is responsible for evaluating and determining the Company’s ESG-related risks, and ensuring that long-term effective ESG supervision and management mechanisms are in place. The management of the Company has confirmed to the Board that these mechanisms are effective. For further details, please refer to the section headed “Corporate Governance Report – Control mechanism” in the 2019 annual report of the Company.

Part I Environmental

As global warming has severely affected the subsistence of human, large-scale utilization of clean energy and reduction of carbon emissions are the most effective ways to improve the issue of climate. The Company, being an important participant in the global clean energy industry, continues to drive the decline in the cost of the photovoltaic industry with the advances in science and technology, so as to expand the scale of application of clean energy. In addition, the company continues to set benchmarks for energy conservation and emission reduction in the industry by virtue of its leading oxygen-fuel combustion furnace for photovoltaic glass and the energy –saving and emission reduction technology in the main production lines, and has made good progress in the aspect of use of exhaust heat for generation of electricity and photovoltaic power grid parity. The company will make unremitting efforts for the larger-scale application of clean energy around the world, the transformation of energy structure, and the solution of global warming and others.

Environmental Protection

The Group always highly values sustainable development, strives to boost effective utilization of resources and energy and pays close attention to climate and ecological issues. During the reporting period, the Group walked the green talk by promoting the application of oxygen-fuel combustion furnace technology in production of photovoltaic glass, adopting effective control measures in production and operation activities in accordance with Chinese laws and regulation, and building a long-term mechanism for environmental protection and energy conservation under the guidance of scientific development philosophy, endeavoring to build itself into a resource-saving and environment-friendly harmonious corporation.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Environmental Management

The Group attaches great importance to environmental protection and abides by laws, regulations and technical requirements on environmental protection in China. Environmental laws and regulations in China related to the operation of the Group include the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Impact Assessment and the Law of the People's Republic of China on the Prevention and Control of Water Pollution.

In order to enhance management, the Company established the Investment and Operation Department at the headquarters with supervisors on safety and environmental protection responsible for establishing the management system on "environmental, health and safety" and supervising the management on environmental protection and safety of the Group. All subsidiaries of the Group have established environmental protection and safety management offices and supervisors on environmental protection and safety responsible for their management on environmental protection and safety.

Emissions

The Group strictly applies relevant national and local environmental laws and regulations, controls the emission of four types of pollutants (wastewater, exhaust gas, waste and noise) required by the state, and constantly introduces and develops new technologies and processes to reduce the emission of pollutants.

Ever since the commencement of production, the Group has been focusing on environmental protection and strictly followed the following relevant applicable environmental rules and standards:

Type	Standards/Rules
Exhaust gas	Air Pollutant Release Standard on Sheet Glass(《平板玻璃大氣污染物排放標準》)(GB26453-2011)
Wastewater	Integrated Wastewater Discharge Standard (《污水綜合排放標準》)(GB8978-1996) and Level II standard under the Integrated Wastewater Discharge Standard for the Yellow River Basin (Shaanxi Section) (《黃河流域(陝西段)污水綜合排放標準》)(DB61/224-2011)
Noise	Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》)(GB12348-2008)

During the reporting period, the Group strictly complied with the relevant laws and regulations that have a significant impact on the Group in terms of air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous pollutants.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Emissions (Continued)

Emissions from the production of the Group mainly include exhaust gas (dust, oxynitride and sulfur dioxide), wastewater and solid waste (grinding sludge and cullet). In 2019, emissions from its enterprises in Xianyang and Hefei after meeting relevant standards include: dust in exhaust gas from photovoltaic furnaces of 22.03 tonnes, sulfur dioxide of 174.83 tonnes, oxynitride of 212.62 tonnes, industrial wastewater of 1,239,800 tonnes and domestic wastewater of 121,500 tonnes. The emission of chemical oxygen demand (COD) reached 15.58 tonnes, hazardous waste reached 18.18 tonnes and 2,390 tonnes of grinding sludge were disposed based on relevant standards. All photovoltaic cullet was recycled.

Online monitoring, supervisory monitoring and independent monitoring

In order to gain effective and accurate understanding of the real-time emission of pollutants from the Group in the long term, the Group has developed an annual monitoring plan to monitor the emission of key pollutants. Online exhaust gas monitoring systems connected with local environmental authorities have been installed for photovoltaic furnaces in Xianyang and Hefei to effectuate real-time monitoring by the governmental authorities on the emission of exhaust gas.

During the reporting period, the Group also appointed a third-party monitoring agency to monitor the emission or discharge of exhaust gas, wastewater and noise by the Group. Monitoring results show that exhaust gas, wastewater and noise of the Group have been emitted or discharged after meeting relevant standards and the requirements of relevant laws and regulations of China.

During the reporting period, all environmental facilities of the Group maintained stable operation and received regular maintenance. The Group established an operation account to manage and control the emission of pollutants after meeting relevant standards.

Promoting Environmental Management System

The Group has obtained the ISO14001:2015 environmental management system certification on the production of photovoltaic glass to improve the environmental management. The implementation of the environmental management system has effectively reduced the cost of the Group on waste management and the consumption of energy and materials.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Environmental protection target and completion

The Group strictly implemented the “three synchronizations” system (i.e. environmental facilities should be designed, constructed and operated in tandem with design, construction and operation of principal engineering projects) in environmental impact assessment and protection. It also invested capital into environmental protection, monitored the normal and stable operation of environmental facilities, developed circular economy, improved the water recycling rate, fully recycled waste heat, and advanced measures on energy saving and emission reduction, thereby ensuring the emission and discharge of the “Three Wastes” (i.e. exhaust gas, wastewater and solid waste) met relevant standards.

In 2019, the Group earnestly followed the laws and regulations on environmental protection. Major pollutants were discharged after meeting relevant standards and the disposal of solid waste was legal. There were no environmental incidents during the reporting period.

Training on environmental protection

While closely monitoring the environmental impacts of its production and operation activities and striving to meet the target of environmental protection, the Group vigorously promote environmental responsibility and awareness amongst all staff among its employees and provides them with training on environmental protection. The Group makes detailed training plans at the beginning of every year and regularly updates its employees on the latest laws and regulations on environmental protection. Meanwhile, the Group actively participates in various trainings and symposiums on environmental protection organised by provincial and municipal environmental authorities and industry associations, which further enhanced the professional skills of the environmental protection managers of the Company.

Use of Resources

The Group strictly abides by the requirements of the Energy Conservation Law of the People’s Republic of China, the Water Law of the People’s Republic of China and other laws and regulations, and conducts comprehensive utilization or recycling of waste, wastewater and waste heat generated during production process, with the aim of fulfilling corporate environmental responsibility, pursuing green sustainability, reducing energy consumption, enhancing competitiveness, saving energy for the country and saving costs for enterprises.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Improving utilization rate of natural gas with oxygen-fuel combustion furnaces

With the self-developed “photovoltaic glass oxygen-fuel combustion furnace technology with 750 tonnes/day and its industrialization”, the Group conducted denitrification, desulfurization, de-dusting and other integrated technologies on smoke with the photovoltaic glass oxygen-fuel combustion technology at the production bases in Xianyang and Hefei, and reduced natural gas consumption by over 20%. Therefore, the Group, while ensuring safe and stable operation of its production system, achieved satisfactory results in clean production, energy saving and emission reduction, maintaining a leading position in the industry.

Power consumption in 2018	Unit: kWh
Headquarters	51,871,600
IRICO Hefei Photovoltaic	182,874,480

Power consumption in 2019	Unit: kWh
Headquarters	32,957,670
IRICO Hefei Photovoltaic	206,732,591.9

In 2019, the Group effectively improved its production efficiency through improvement of production process and adoption of new technologies and equipment. In 2019, the total power consumption of all factories of the Group increased by 2.06% from 234,746,080kWh in 2018 to 239,690,261.90 kWh, while total production output increased by 12.74% year on year. Per unit power consumption for photovoltaic glass production in 2019 was 4.13 kWh/square, decreasing by 10.99% from 4.64 kWh/square in 2018.

Natural gas consumption in 2018	Unit: cubic meters
Headquarters	18,149,100
IRICO Hefei Photovoltaic	82,239,386

Natural gas consumption in 2019	Unit: cubic meters
Headquarters	7,775,318
IRICO Hefei Photovoltaic	90,724,290

The Group reduced natural gas consumption through enhanced internal management, strict evaluation and adoption of technical improvement measures. In 2019, the total natural gas consumption of all factories of the Group decreased by 1.92% from 100,388,486 cubic meters in 2018 to 98,499,608 cubic meters, while total production output increased by 12.74% year on year. Per unit natural gas consumption in 2019 was 1.70 cubic meters/square meter, decreasing by 14.14% from 1.98 cubic meters/square meter in 2018.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Wastewater utilization and treatment

The Group has made multiple efforts on water saving and emission reduction. All photovoltaic glass plants in Hefei and Xianyang are equipped with wastewater treatment systems with an annual treatment of 4.20 million tonnes of industrial wastewater and a recycling of 3.60 million tonnes. The recycling rate of water resources was over 85%.

The recycling-oriented treatment process of industrial wastewater of the Group is as follows:

Wastewater collection pool→Raw wastewater pool→Preliminary sedimentation pool→Coagulation pool→Condensation pool→Sedimentation pool→Intermediate pool→Multi-media filter→Recycling pool→Grinding process

In addition, the Group enhanced routine management on facilities to ensure facilities operate in good condition and reduce the discharge of wastewater to avoid its impacts on the environment. Through the water recycling system, it also reduces water consumption and better manages the use of water resources by the Group.

Water consumption in 2018	Unit: tonnes
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Headquarters	112,470
IRICO Hefei Photovoltaic	1,346,756

Water consumption in 2019	Unit: tonnes
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Headquarters	128,437
IRICO Hefei Photovoltaic	1,421,721

In 2019, total water consumption of all factories of the Group increased by 6.23% from 1,459,226 tonnes in 2018 to 1,550,158 tonnes, while total production output increased by 12.74% year on year. Per unit water consumption in 2019 was 267.40 tonnes/10,000 square meters, decreasing by 7.3% from 288.46 tonnes/10,000 square meters in 2018. The Group did not encounter any difficulties in ensuring sufficient water supply for production.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Waste heat utilization

The Group vigorously promotes heating with waste heat at the production bases in Xianyang and Hefei to reduce energy consumption and production cost. Based on the layout of furnaces and the conditions of the heating system, Xianyang Photovoltaic Glass Factory* (咸陽光伏玻璃廠) transformed and added two sets of heat exchanging systems and achieved self-supply of heating in the winter with waste heat from No. 2 and 4 glass furnaces. It has reduced a heating fee of over RMB2 million every year since 2014 and achieved the targets of energy saving, emission reduction, cost cutting and efficiency improvement.

Photovoltaic power generation

The Group actively practiced the national “13th Five-Year Plan for Energy Development” and promoted distributed photovoltaic power programs in Xianyang and Hefei, which transformed solar energy into power, achieved the utilization of recyclable energy and contributed green and clean energy to the society.

The Group initiated the rooftop photovoltaic power generation program in 2012 whereby distributed photovoltaic power stations were set up on the roofs of existing factories. This program beautified the appearance of buildings, leveraged existing resources to generate power for self-use, realized the sustainable development of clean power in certain regions, obtained certain economic benefits and achieved mutual benefits between enterprises and the state.

Packaging materials (wood) consumption in 2018	Unit: tonnes
Headquarters	1,684
IRICO Hefei Photovoltaic	5,940

Packaging materials (wood) consumption in 2019	Unit: tonnes
Headquarters	1,100
IRICO Hefei Photovoltaic	5,601.2

The Group effectively reduces the use of packaging materials and avoids waste by reducing the backlog of inventory, avoiding excessive requisition of materials, enhancing recycling management and appraisal, promoting innovative management and recycling of packaging materials and increasing the usage and recycling of iron frame. In 2019, all factories of the Group consumed 6,701.2 tonnes of wooden packaging materials in total, decreased by 13.77% from 7,624 tonnes consumed in 2018, while total production output increased by 12.74% year on year. Per unit consumption of wooden materials in 2019 was 1.16 tonnes/10,000 square meters, decreasing by 30.95% from 1.68 tonnes/10,000 square meters in 2018.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

The Environment and Natural Resources

In response to the government's call for environmental protection and energy conservation, the Group continues to implement green office practices, cultivate staff environmental awareness through trainings and education in an effort to reduce the impacts of the Group's management and daily operation activities on the environment. The measures adopted by the Group include: using energy-saving lightings, working online, minimizing use of paper, reducing energy consumption by switching off idle lightings, computers and electrical appliances, use of teleconferencing as an alternative to business travel; setting a specific temperature for use of air conditioners and ensuring effective use of cars; monitoring production and office power consumption on a monthly basis with statistics properly kept for monthly appraisal; and making a maintenance plan for major electrical equipment to avoid over-consumption of electricity due to the aging of equipment.

Environmental protection and sustainable development

The Group promote the use of green energy and minimizes the harms of global climate changes caused by greenhouse effect. The Company achieved carbon neutrality through the business of photovoltaic power stations.

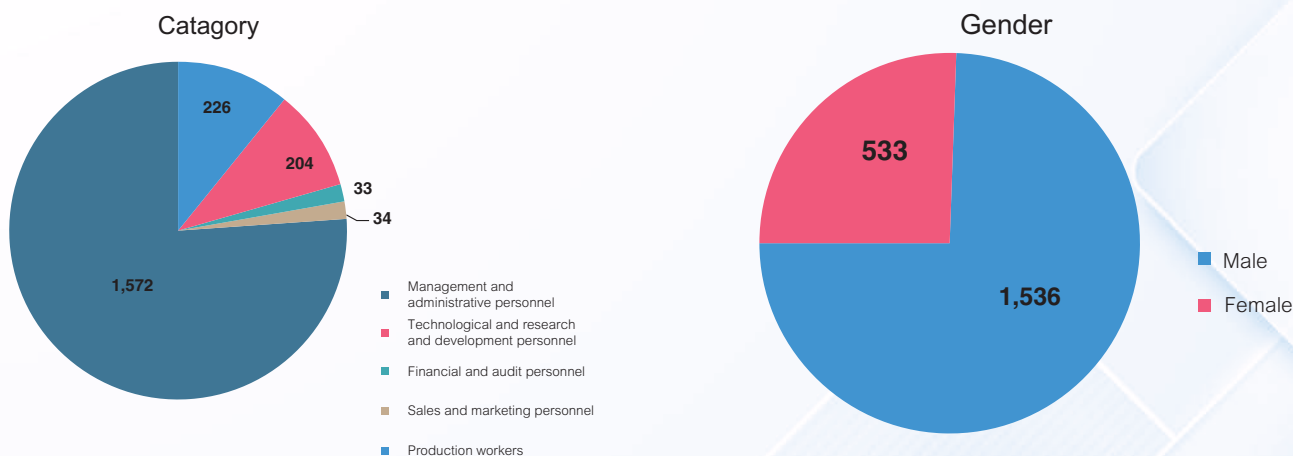
Part II Social

Employment and Labour Practices

Employment

As at 31 December 2019, the Group had 2,069* incumbent employees, of whom approximately 11% were management and administrative personnel, 9.9% were technological and research and development personnel, 1.6% were accounting and audit personnel, 1.6% were sales and marketing personnel, and 75.9% were production workers.

The total number and composition of employees of the Group are as follows:



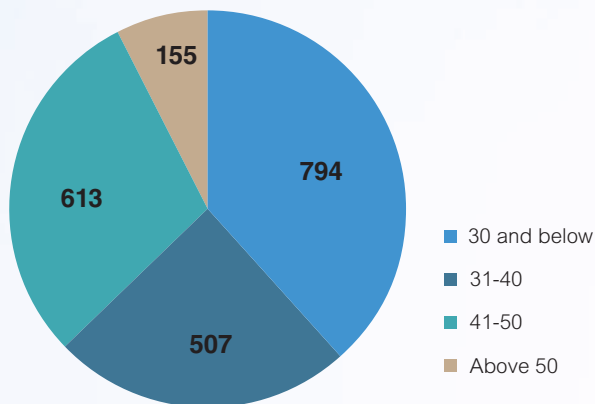
Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

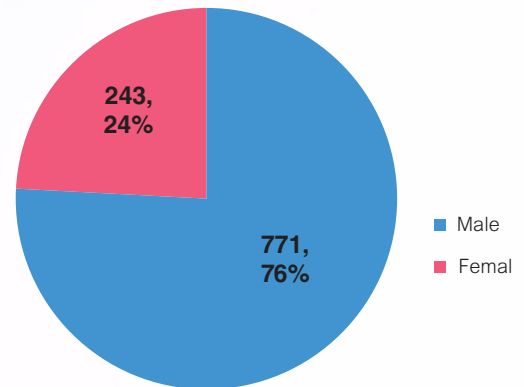
Employment and Labour Practices (Continued)

Employment (Continued)

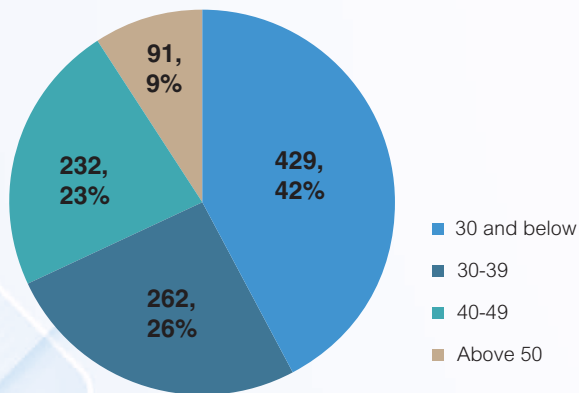
Age



Employee Turnover Rate by Gender



Employee Turnover Rate by Age



Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Employment and Labour Practices (Continued)

Employment (Continued)

The Group has established a comprehensive welfare system suitable for corporate development and employee promotion, and developed a remuneration management system and a scheme on continued improvement of remuneration to provide employees with attractive remuneration and benefits. Employee remuneration is composed of basic salary, performance-linked salary and individual rewards and penalties, which is subject to adjustment in line with the Company's performance, employee job value, personal ability and performance, and social development level. In addition, in accordance with national regulations, the Group makes contributions to social insurance and housing provident fund for its employees and provides them with various benefits including paid leave and holidays, home leave, high temperature subsidy and heating subsidy, thereby arousing their enthusiasm for work and ensuring high quality and reliability of the Group's products and services.

Throughout 2019, the Group has complied with relevant laws and regulations in terms of recruitment and promotion, working hour, holiday, equal opportunity, anti-discrimination and other benefits.

* *Excluding dispatched employees*

Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Staff development and training

From the purpose of improving the basic quality, strengthening basic management and business competence, the Group provides comprehensive and diversified training programs to its employees. From the purpose of enhancing employees' skills, business competence, professional qualities, the Group proactively explores various education and training methods suitable for its employees, emphasizes safety awareness education of all staff, and further enhances skills training for management and technical personnel. Employees enable to acquire new knowledge, skills, solutions and thoughts from various trainings, thereby laying a foundation for better discharging their duties and better serving the operation and development of the Company.

Training subjects	Training contents
Workplace safety	Special Training for Workplace Safety Regulation; Training for Management Personnel on the Safety in Non-coal Mines and Outsourced Construction Units, etc.
Quality management	Training on GB/T19001–2016 Quality Management System; Training on Quality Management and Inspection Technical Knowledge; On-the-job Training for Professional and Technical Personnel of Quality Inspection, etc.
Management skills	Excellent Financial Management to Build Core Competitiveness of the Company; Trend of State-owned Enterprises Reform and Enterprises' Development; Senior Training Courses on Cooperate Financial Analysis Ability, Investment and Financing Practice, etc.
How to develop personal professional skills and knowledge	Latest Adjustment and Practical Application of Chinese Accounting Standards; Interpretation on Tax Collection Management Solution and Enterprise Income Tax Policy; Writing Training on Patent Technology Thesis; Opportunities and Challenges of 5G to Information Industry; Seminar on Hot Topic of Labor Employment in Central Enterprises and Practical Solutions, etc.
Orientation training for new employees	Safety Education for New Employees; Promotion of Professional Quality; Career Life, etc.

Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Staff development and training (Continued)

In 2019, a total of 148 training programs consisting of an aggregate of 19,985 training hours were offered to 4,209 trainees. The Group also encourages employees to learn by themselves to support their personal development.

Total training hours and number of trainees by employee category

Employee category	Total training hours	Number of trainees
Senior management	178 hours	42
Management personnel	4,142 hours	496
Technological personnel	2,694 hours	520
General employee	12,971 hours	3,151

Occupational Health and Safety

The Group has set up a safety management and enforcement organisation, which is equipped with full-time safety personnel, and formulated the Safety Production Management Rules, Detailed Rules on Implementation of Occupational Safety and Health Supervision, and Emergency Preparedness Plan for Production Safety Accident and other rules; and established the occupational health and safety management system. Each year, a qualified third party will be engaged to conduct external audit to ensure the continued and effective operation of the system.

The Group equips its employees with labour protection facilities and supplies including gloves, safety shoes, etc. Meanwhile, the Group also posts safety warning signs at workplaces to remind employees to prevent occurrence of safety incidents. Each year, employees are placed on medical checkups to ensure their physical health. The Group organises a number of training courses on occupational health and safety every year to enhance the health and safety skills of employees. At ordinary times, the Group performs safety inspections and emergency drills to eliminate safety hazards and enhance employees' safety awareness.

Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Occupational Health and Safety (Continued)

Summary of certain campaigns:

In March 2019, the Company held the “3.15 Fire Safety Week” campaign in which safety publicity was conducted by hanging fire safety banners, making fire safety signboards, organising fire drills for relevant employees, replacing firefighting equipment, and completing lightning protection and grounding tests at factory areas.



Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Occupational Health and Safety (Continued)

In June 2019, the Group's annual "safety production month", the Group organised 3 special emergency drills including firefighting emergency and evacuation for key areas and positions including photovoltaic furnace and calendaring involving more than 98 employees, to test the operability and practicability of the emergency plans. In addition, the Group comprehensively evaluated the drill results with a view to constantly optimizing the emergency plans and improving staff's emergency handling capacity to ensure safe production at factories.

In November 2019, as a response to the national initiative, the Group arranged "11.9 Fire Control Publicity Month". A variety of fire warning education activities were carried out and special inspections were conducted for fire-fighting equipment, electrical appliances and utility pipelines to identify and rectify safety hazards, creating a strong atmosphere for fire control publicity.



Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Occupational Health and Safety (Continued)

Health and safety performance	Performance
Number of work-related casualties	0
Number of loss days due to work injury	0
Number of accidents	0

In 2019, the occurrence rate of various safety accidents of the Group was zero. The Group strictly abided by the relevant laws and regulations that had a significant impact on the Group in respect of providing safe working environment and safeguarding employees from occupational hazards.

Labour Standards

In formulating the Recruitment Management Process, the Group strictly abided by the Labour Law of the People's Republic of China, the Regulations on Prohibition of Child Labour and other laws to prevent child labour. Further, in order to guarantee the health and safety of employees, the Group strictly prohibits forced labour. All employees are required to undergo relevant trainings before they start work. The union organisation of the Group also plays an active role in guaranteeing employees' interests.

Since its listing, the Group has never used any child labour or forced any employees to work. The Group has complied with the relevant laws and regulations.

Part III Production and Operation

Supply Chain Management

The Group manages its procurement and supply chain based on purchasing of products. Through a standardized pricing process, the Group was able to standardize procurement process, optimize supplier base, share procurement information, supervise procurement process, reduce procurement costs, enhance the informatization of procurement, and establish and optimize business relationships between subordinate enterprises with appropriate suppliers, thereby eventually developing a high-quality supplier base. Further, by purchasing through bidding process, the Group successfully reduced the purchasing price of products, improved the quality of purchased products and increased the service quality of suppliers.

Environmental, Social and Governance Report (Continued)

Part III Production and Operation (Continued)

Supply Chain Management (Continued)

The Group has formulated the Purchase Management Rules and the Management Measures for Contract Review and Bidding Process, and digitalized the bidding and contract approval procedures for strict regulation over purchasing activities, to ensure the normal operation of production systems. Details are as set out as follows:

1. Sourced product information base and supplier information base are established; a pricing process is set up whereby the price of a product to be purchased is determined through electronic bidding; a product ordering process is in place whereby it specifies how to place orders with suppliers. Further, the Group supervises the actual prices of products. By utilizing the CEC electronic bidding platform, it has established a bidding review and OA approval system within the Company to implement full-process monitoring of procurement management. At the same time, each production unit effectively utilizes the ERP system to achieve full-process management from planning, procurement, warehousing to settlement.
2. Supplier management archives and the corresponding goods purchasing catalogue are established and special personnel are designated to be in charge of the management in relation thereto. Results of supplier evaluation will be gathered and included into the supplier archives, which serve as important basis for updating and optimizing the suppliers.
3. Suppliers who have long been falling short of the quality requirements of our plants and failed to make improvements or those who have deeply flawed quality management systems will be suspended or recused in relation to their supplier qualifications as recorded in the Catalogue of Qualified Suppliers and their Products.
4. Supplier incentive mechanisms are established, whereby suppliers who are assessed as excellent will gain priority in respect of distribution of products to be supplied, long-term cooperation, etc.
5. Undue reliance on specific major suppliers has been reduced so as to divert procurement risks.
6. Supplier incentive mechanisms are implemented and performance of suppliers will be evaluated, thereby procuring the suppliers to improve constantly. Sound and reasonable appraisal methods are employed to evaluate the effects of cooperation with individual suppliers and evaluation results will be fed back to the suppliers. The Group will discuss the causes of problems together with the suppliers and take improvement measures accordingly.
7. Casual reciprocal visits to and from the suppliers' will be scheduled so as to create a sound cooperation atmosphere.

Environmental, Social and Governance Report (Continued)

Part III Production and Operation (Continued)

Supply Chain Management (Continued)

The Group will monitor quality on a long-term basis and carry out regular review on all suppliers and random checks on different suppliers to secure sustainable supply of quality materials and services. We support and encourage suppliers to provide environmental products and services, benefits and guarantees for employees and call on them to abide by relevant laws and regulations and perform contractual obligations. For example, for the selection of suppliers, the Group will give priority to those with the Certification of the ISO9001 Quality Management System, the Certification of the ISO14001 Environmental Management System, the Certification of the OHSAS18001 Occupational Health and Safety Management System and other certifications under same conditions. We pay more attention to the environmental protection efforts of suppliers in the annual review on certain suppliers, and investigate and prevent briberies, frauds and other improper behaviors in the procurement process through the effective anti-corruption supervision and management system of the Group. Through extending the sustainable development concept to the supply chain, the Group advocates green procurement and production and strives to make suppliers keep the same pace with us in performing corporate social responsibility and improve the overall performance of the industry. If suppliers are found to fail to meet environmental or social policies or contractual requirements of the Group, we will terminate subsequent cooperation until they have made improvements.

Geographical distribution	Number of suppliers
PRC	160

Product Liability

Committed to producing prime photovoltaic glass, the Group highly values product quality and corporate reputation. Owing to its testing of all products in strict accordance with the established Quality Management System, the Group has succeeded in obtaining various domestic and overseas certificates, mainly including: GB/T 19001–2016/ISO19001: 2015 Quality Management System Certificate; China Compulsory Certification (3C) Certificate.

In 2019, the Group complied with relevant laws and regulations that have a material impact on the Group in respect of the health and safety, advertising, labelling and privacy matters of products and services provided as well as methods of redress.

Environmental, Social and Governance Report (Continued)

Part III Production and Operation (Continued)

Prevention of Corruption

In stringent compliance with relevant laws and regulations of the PRC, the Group has formulated governing documents in respect of uncorrupt practice, warning conversations, accountability, etc. It has carried out adequate instructive work in respect of duty-related crimes including anti-corruption, exerts strict supervision and inspection over the implementation of relevant systems and shows zero tolerance for duty-related malefactions. Meanwhile, the Group has undertaken a variety of warning education activities to advocate the establishment of incorruptible culture within the Group and create a clean and upright working environment.

The Group has proper arrangements in place whereby whistleblowers may present problems and provide clues to the discipline inspection and supervision department of the Company by letter, mail, telephone as well as other methods. The discipline inspection and supervision department will sort out the problems and clues and handle the same in accordance with the Clues Handling Measures. Where there is concrete evidence of graft and bribery after the case is filed, such case will be referred to the competent supervisory authorities according to laws in a timely manner.

The business operations of the Group are in line with the standards of business conduct as prescribed in relevant local regulations. During the reporting period, the Group was not involved in any material legal proceedings in relation to bribery and graft.

Community Involvement

Targeted poverty alleviation

The Group, while vigorously developing photovoltaic power projects, actively responded to the government's call for poverty alleviation through photovoltaic projects and participated in photovoltaic poverty alleviation efforts to bring clean energy into poor households. The photovoltaic poverty alleviation power station project completed in Changwu has achieved stable operation. At the same time, in response to the central government's key move on organizing supporting groups living in villages to win the battle against targeted poverty alleviation, the Group selected and sent employees to be cadres of Heiyaogou Village, Zhen'an County and installed solar street lights, purchased books, and donated sports equipments for Heiyaogou Village. On the occasion of the 27th International Day for the Eradication of Poverty, it led experts of the internal medicine, surgery and ophthalmology of IRICO hospital to conduct free clinical treatment and give away medicines. It also carried out "healthy poverty alleviation" volunteer service activities, and organized trade unions at all levels to inspect and purchase agricultural and sideline products during the Mid-Autumn Festival and National Day to alleviate poverty through consumption, actively fulfilling the social responsibility of central enterprise.

Concerns for local community

The Group actively organized young volunteers to carry out caring activities for children with disabilities and orphans in the Xianyang Social Welfare Institute, and provided loving assistance at the Xianyang Overseas Chinese Children's Intelligence Training Center to provide material assistance while delivering love, giving back to community and contributing to society.

Corporate Governance Report

The Company strives to uphold the corporate governance standard in accordance with statutory and regulatory requirements. Through the establishment of a competent Board, a comprehensive internal control system and a stable corporate structure, the Company strives to ensure completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase Shareholders' value and benefit.

1. Corporate Governance Practices

Improvement of the internal control system was made by the Company by reviewing the Company's corporate governance practices against the CG Code to cater for the constant development and evolution of corporate governance.

The Board has reviewed the Company's corporate governance practices. During the reporting period, the Company had applied and complied with the principles and code provisions in the CG Code. The code on corporate governance practices adopted by the Company includes but is not limited to the following documents: the Articles of Association, Working Rules for the Board, Terms of Reference and Organisation Rules for the Audit Committee, Terms of Reference and Organisation Rules for the Nomination Committee, Terms of Reference and Organisation Rules for the Strategy Committee and Terms of Reference and Organisation Rules for the Remuneration Committee. The Board also formulated the Management Methods for Information Disclosure, Management Mechanism for Investor Relations, Management Mechanism for Implementation of Resolutions of the Board, Management Mechanism for Connected Transactions and Mechanism for Nomination of Candidates for Directors by Shareholders as relevant working rules of the Company. In addition, the Company has established the Strategy Committee.

Corporate Governance Report (Continued)

2. The Board

Duties of the Board

The Board is responsible for leading and monitoring the Company's affairs. All Directors are liable to act in the best interests of the Company and collectively assume the responsibility for overseeing and monitoring the Company's affairs. The Board makes regular assessment on the management's business objectives and performance as well as exercises a variety of powers in accordance with the Articles of Association, which mainly include:

- overseeing the implementation of resolutions passed at general meetings;
- approving the Company's business plans and investment schemes;
- formulating the Company's annual financial budget schemes;
- formulating the Company's profit distribution plan;
- formulating the Company's basic management system;
- approving the Company's accounting policies and adjustment thereof;
- approving various announcements including financial reports.

In respect of corporate governance, the Board performed the following duties in the reporting period:

- developing and reviewing the corporate governance policies and practices of the Company;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements of the Company;
- reviewing the compliance of the CG Code by the Company and corresponding disclosure in the corporate governance report of the annual report.

Corporate Governance Report (Continued)

2. The Board (Continued)

Composition

As at 31 December 2019, the Board comprises 7 Directors, including 2 executive Directors (i.e. Mr. Si Yuncong and Mr. Chen Xiaoning), 2 non-executive Directors (i.e. Mr. Fan Laiying and Mr. Ni Huadong) and 3 independent non-executive Directors (i.e. Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng) and is chaired by Mr. Si Yuncong. The biographies of Directors are set out from page 22 to 25 in this annual report.

Directors (including non-executive Directors and independent non-executive Directors) are elected in general meetings with a term of three years from the effective date of their elections until the date of election of the next session of the Board.

All Directors shall, upon their initial appointment, report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflicting interest in any proposal under consideration, such Director shall report his/her interests and abstain from voting and may, when necessary, apply for absence. The Board requires Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries at each financial reporting period. Any material transactions relating to connected persons, which have been confirmed, will be disclosed in notes to the financial statements of an annual report.

There are three independent non-executive Directors, representing over one-third of the Board. The independent non-executive Directors possess extensive professional expertise and experience, and can fully perform their important functions of supervision and balance to protect the interests of the Shareholders and the Company as a whole. In determining the independence of a non-executive Director, the Director is considered independent only after the Board has confirmed that there is no direct or indirect material relationship between the Director and the Company. The Board considers that the independent non-executive Directors are able to make independent judgment effectively and satisfy the guideline on assessing independence as set out in Rule 3.13 of the Listing Rules.

The Company has complied with the requirement concerning the appointment of sufficient independent non-executive Directors, that at least one of them should possess appropriate professional qualification or accounting or relevant financial expertise and that independent non-executive Directors should represent one third or above of the Board as set out in Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

During the reporting period, the Company organized trainings in relation to the business of the Company for Directors.

The Company provides trainings to Directors in due course in accordance with the requirements under Rule A.6.5 of Appendix 14 to the Listing Rules. The Company has made appropriate arrangement to insure against the possible legal actions that the Directors, supervisors and senior management may be involved. The Board reviews annually the insurance arrangement.

Corporate Governance Report (Continued)

2. The Board (Continued)

Duties of the Management

The management is responsible for the management of production and operations, organising and implementing resolutions of the Board, organising the implementation of the Company's annual business plans and investment schemes, formulating plans for the establishment of the Company's internal management structure, formulating the basic management system of the Company, formulating the basic rules of the Company, and exercising other powers conferred under the Articles of Association of the Company and by the Board. Meanwhile, the management reports to Directors on the Company's operations and businesses each month so as to enable the Directors to fully understand the operations and businesses of the Company.

The Chairman and the general manager

The Chairman is responsible for the operation and management of the Board while the general manager takes charge of the day-to-day management of the Company's business. To ensure a balanced distribution of powers and authorisations, during the reporting period, the office and role of the Chairman are assumed by Mr. Si Yuncong (an executive Director), while the office and role of the general manager are assumed by Mr. Zou Changfu during the period ended 13 February 2019 and by Mr. Chen Xiaoning during the period from 13 February 2019 to 31 December 2019. The offices and roles of the Chairman and the general manager are assumed by two individuals separately and explicitly differentiated.

Under the assistance of the deputy general manager, the general manager, as the chief manager of the Company's day-to-day affairs, is responsible for managing the day-to-day affairs of the Company, organising the implementation of resolutions of the Board, organising the implementation of the Company's annual business plans and investment schemes, assuming a direct responsibility for the operation performance of the Company and responsible for the overall operation of the Company to the Board.

The general manager and the deputy general manager make concerted efforts to collaborate with administrative departments of the Company to ensure the Board and the Board committees can access to complete, reliable and proper information so that the Directors can make decisions with adequate data and to ensure proper implementation of the Board's resolutions. The general manager closely monitors the operation and financial results of the Company based on plans and budgets and makes suggestions to the Board in respect of material events.

Corporate Governance Report (Continued)

2. The Board (Continued)

Company Secretary

The Company Secretary reports to the Board. All Directors are entitled to the Company Secretary's services. He updates the Board on governance and regulation on a regular basis, assists the chairman in preparation of the agenda of the Board meetings, and prepares and dispatches meeting documents on a timely and comprehensive basis so as to ensure the efficiency and compliance of the Board meetings. With the assistance of the Company's legal counsels, the Company Secretary is in charge of arranging the annual and interim reports and disclosure of information and data in accordance with the Listing Rules and relevant rules of the Company. He makes regular enquiries to the Company's financial department for information on connected transactions to secure compliance with the Listing Rules in respect of such transactions. The selection, appointment or dismissal of the Company Secretary is in the charge of the Board.

The Company Secretary is also responsible for preparing and keeping minutes of meetings of the Board and the Board committees together with any relevant documents, which can be provided and open to all Directors and are available to all Directors for their inspection at any reasonable time. All matters under consideration including any enquiry and objection by Directors shall be recorded in details. Within a reasonable timeframe after a meeting, a draft minutes shall be circulated to all Directors for their comments.

The Company Secretary is in charge of arranging induction training and professional development for Directors.

In 2019, the Company Secretary participated in 16 hours of training in respect of corporate governance, etc.

Board meetings

The Chairman is responsible for convening and presiding over the Board meetings. Assisted by the Company Secretary, the Chairman seeks to ensure all Directors' proper access to accurate, timely and sufficient data in connection with the proposals to be considered by the Board to enable their wise decisions. While a 14 days' prior notice of a regular Board meeting is given, the agenda of meeting and the meeting documents attached are circulated at least 3 days prior to the holding of a Board meeting or a meeting of any special committee.

Corporate Governance Report (Continued)

2. The Board (Continued)

Board meetings (Continued)

The Chairman encourages the Directors to be fully engaged in the Board's affairs and make contributions to the functions of the Board. The Board also adopts sound corporate governance practices and procedures and takes appropriate steps to encourage the Directors' open and candid communications so as to ensure non-executive Directors may raise queries with and maintain effective communications with each executive Director.

It is expressly provided in the Terms of Reference and Working Rules for the Board that, in the event that a substantial Shareholder or Director has a conflict of interest in the matter to be considered at the Board meeting, such matter shall not be dealt with by Board committees or by way of circulation. Any Director who has a conflict of interest in the matters to be considered shall abstain from voting.

The Company held four on-site Board meetings, passed twelve written resolutions of Board meetings, and held two extraordinary general meetings and one annual general meeting during the reporting period. Details of attendance of the Directors are as follows:

Number of meetings attended/Number of meetings held

Directors	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Extraordinary General Meeting	Annual General Meeting
Si Yuncong	4/4	2/2	1/1	1/1	3/3	1/1
Zou Changfu (retired on 13 February 2019)						
Chen Xiaoning	4/4	2/2	1/1	1/1	3/3	1/1
Fan Laiying	4/4	2/2	1/1	1/1	3/3	1/1
Ni Huadong (appointed on 28 May 2019)	2/2	1/1	1/1	1/1	1/1	1/1
Feng Bing	4/4	2/2	1/1	1/1	3/3	1/1
Wang Jialu	4/4	2/2	1/1	1/1	3/3	1/1
Wang Zhicheng	4/4	2/2	1/1	1/1	3/3	1/1

A meeting was held between the Chairman and independent non-executive Directors to discuss relevant matters.

In accordance with the Articles of Association, Directors, when necessary, may propose to convene an extraordinary Board meeting. They may also, when they consider necessary, obtain the Company's information and independent expert opinion, where expenses incurred are borne by the Company.

Corporate Governance Report (Continued)

2. The Board (Continued)

Board committees

Four special committees are established under the Board, namely the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee, the terms of reference of which are determined in accordance with the principles set out in the CG Code. The Board committees report to the Board. In order to perform their duties, the Board committees have the authority to engage lawyers, accountants or other professionals for professional advice when necessary, the expenses of which are borne by the Company.

Nomination Committee

On 31 December 2019, the Nomination Committee comprises two executive Directors and three independent non-executive Directors, including Mr. Si Yuncong (executive Director), Mr. Chen Xiaoning (executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Si Yuncong. The Nomination Committee shall provide the Board with its advice on appointment of Directors, assessment of the Board's composition and change of Directors in accordance with certain agreed standards. The relevant standards include a Director's proper professional knowledge and work experience, personal integrity and commitment of adequate time. The Nomination Committee is responsible for the selection and recommendation of Director candidates, including consideration of candidates recommended by others and, when necessary, acquired by using public recruitment.

The Nomination Committee gives full consideration to the principle of Board diversity in selecting and recommending Director candidates, mainly including but not limited to gender, age, culture and educational background or professional experience, as well as the Board members' recommendations on the development of the Company in various aspects based on their professional competence in different fields.

With reference to the requirements in paragraph A.5 of the CG Code, the Board formulated the Terms of Reference and Organisation Rules for the Nomination Committee. The terms of reference of the Nomination Committee are as follows:

- to review the structure, size and composition of the Board at least once annually;
- to identify individuals suitably qualified to become Board members, and to nominate relevant people as Directors or provide advice thereabout to the Board;
- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment as well as the succession plan of Directors.

Corporate Governance Report (Continued)

2. The Board (Continued)

Board committees (Continued)

Nomination Committee (Continued)

During the reporting period, the Nomination Committee conducted work focusing on the aforesaid terms of reference and discussed on the formulation of policy on the nomination of Directors, nomination procedures adopted for candidates for Directors and the selection and recommendation rules. In 2019, the Nomination Committee convened one meeting to mainly discuss the number of the Board and other matters.

Audit Committee

On 31 December 2019, the Audit Committee comprises one non-executive Director and three independent non-executive Directors, including Mr. Wang Zhicheng (independent non-executive Director), Mr. Fan Laiying (non-executive director), Mr. Feng Bing (independent non-executive Director) and Mr. Wang Jialu (independent non-executive Director), and is chaired by Mr. Wang Zhicheng, who has proper professional qualifications and financial experiences. The main role of the Audit Committee is to review the financial reports of the Company, review internal control and corporate governance and provide advices in respect thereof to the Board.

By reference to the recommendations in A Guide for Effective Audit Committees issued by Hong Kong Institute of Certified Public Accountants and the requirements of code C.3 of the CG Code, the Board has formulated the Terms of Reference and Organisation Rules for the Audit Committee. The major terms of reference of the Audit Committee are as follows:

- to be primarily responsible for making recommendation to the Board about the appointment, re-appointment and removal of external auditors, and assess the external auditors' work and supervise the independence, work procedures, quality and results of the external auditors;
- to review and supervise the Company's financial statements and the integrity of the annual reports and accounts, interim reports and the quarterly reports (if prepared for publication), and review major opinions related with the financial reporting on the statements and reports;
- to review the Company's financial reporting system and internal control system.

Corporate Governance Report (Continued)

2. The Board (Continued)

Board committees (Continued)

Audit Committee (Continued)

During the reporting period, the major work of the Audit Committee included:

- I. Considering the audited financial reports of the Company for 2018 and the reviewed financial reports for the first half of 2019;
- II. Considering the report in relation to the execution of continuing connected transactions of the Company for 2018;
- III. Considering the report in relation to the audit fees of the Company for 2018;
- IV. Considering the proposal for appointment of the Company's domestic and overseas auditors for 2019;
- V. Reviewing the internal control system.

During the reporting period, the Audit Committee convened two meetings with an average attendance rate of 100%. The senior management and external auditor were invited to all meetings.

Remuneration Committee

On 31 December 2019, the Remuneration Committee comprises one executive Director and two independent non-executive Directors, including Mr. Wang Jialu (independent non-executive Director), Mr. Chen Xiaoning (executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Wang Jialu.

The Board has formulated the Terms of Reference and Organisation Rules for the Remuneration Committee. The terms of reference of the Remuneration Committee are as follows:

- to make proposals to the Board about the remuneration policy and structure for all Directors and senior management personnel of the Company and the establishment of a formal and transparent procedure for formulating remuneration policy;
- to review and approve the proposed remuneration of the management in accordance with the corporate policies and objectives made by the Board;
- to take responsibility to determine the specific remuneration packages for all executive Directors and senior management personnel, and make salary recommendations of non-executive Directors to the Board.

Corporate Governance Report (Continued)

2. The Board (Continued)

Board committees (Continued)

Remuneration Committee (Continued)

During the reporting period, the Remuneration Committee conducted work focusing on the aforesaid terms of reference, and assessed the performance of executive Directors and approved the terms of service contracts for executive Directors. In 2019, the Remuneration Committee convened one meeting to consider the proposal in relation to the remuneration status of Directors and supervisors of the Company for 2018, and the proposed authorization by the general meetings to the Board to determine the remuneration of Directors and supervisors of the Company for 2019.

Remuneration policy for executive Directors: The remuneration portfolio policy for executive Directors is designed to link executive Directors' remuneration and their performance with corporate goals so as to inspire their better performance and retainment. In accordance with the Articles of Association, the Directors shall not approve their own remunerations.

The Remuneration Committee approves the grant of stock appreciation rights to the executive Directors based on their individual performance and the business status of the Company pursuant to the stock appreciation rights plan approved by the Shareholders.

Remuneration policy for non-executive Directors: Remunerations of non-executive Directors are subject to the approval by general meetings and determined with reference to the complexity of the matters to be handled by them and their duties. Pursuant to the service contracts entered into between the Company and the non-executive Directors, the Company reimburses non-executive Directors for the out-of-pocket expenses incurred in performance of their duties (including attendance at the Company's meetings).

Remuneration policy for employees of the Group: Remunerations of employees of the Group are always based on their work performance so as to stimulate their work motives, reward outstanding performance and fully exert the incentive role of remunerations. To ensure fairness, justice and reasonableness, the Company assesses and distributes remunerations in strict accordance with the assessment management authority, assessment contents and standards for all categories of employees to encourage them to create more value to the enterprise by using their greatest potential. Meanwhile, the remuneration policy for employees of the Group is always in favor of the research and development personnel and marketing personnel in order to attract talents with competitive remunerations and enhance the Company's competitiveness in the market.

Corporate Governance Report (Continued)

2. The Board (Continued)

Board committees (Continued)

Remuneration Committee (Continued)

A Director's remuneration includes the amount paid by the Company and its subsidiaries to Directors for their management of affairs of the Company and its subsidiaries. Remunerations paid to each Director of the Company in 2019 are as follows:

(Unit: RMB)

Name	Position	Salary and allowance	Remuneration (Director's fee)	Pension insurance	Others	Remarks
Si Yuncong	Executive Director and Chairman	-	-	-	-	- Not receiving remuneration from the Company
Zou Changfu	Executive Director (retired on 13 February 2019)	-	-	-	-	- Concurrently serving as the general manager of the Company in 2019 whose remuneration is determined with the same standards as those of the management
Chen Xiaoning	Executive Director (re-designated as an executive Director from a non-executive Director on 13 February 2019; resigned as an executive Director on 31 December 2019)	-	-	-	-	- Concurrently serving as an executive deputy general manager and a general manager of the Company in 2019 whose remuneration is determined with the same standards as those of the management
Fan Laiying	Non-executive Director	-	-	-	-	- Not receiving remuneration from the Company
Ni Huadong	Non-executive Director (appointed on 28 May 2019)	-	-	-	-	- Concurrently serving as the secretary of the Board of the Company in 2019 whose remuneration is determined with the same standards as those of the management
Feng Bing	Independent non-executive Director	-	100,000.00	-	-	-
Wang Jialu	Independent non-executive Director	-	100,000.00	-	-	-
Wang Zhicheng	Independent non-executive Director	-	100,000.00	-	-	-
Total		-	300,000.00	-	-	-

Pursuant to applicable laws and regulations of China, the Company currently participates in a series of pension schemes organized by provincial and municipal governments, pursuant to which all production plants of the Company must contribute to such pension schemes according to certain proportions of the salaries, bonus and various allowance of the employees. As the production plants are located in different regions, the proportions of contributions to the remuneration of employees are also different.

Corporate Governance Report (Continued)

3. Statement of financial responsibility of the Board

The Board is responsible for the preparation of the Company's financial reports and takes the responsibility for the completeness and legitimacy of the financial data as well as the effectiveness of the Company's internal control system and risk management process. The general manager of the Company is responsible for the daily management of the operation of the Company. The Board makes periodic review on the functions of and the power delegated to the general manager.

The Directors acknowledge their responsibilities to prepare financial statements of the Company for each financial year, to report truly and fairly on the financial status of the Group, to comply with applicable accounting standards and adopt appropriate accounting policies in the preparation of the financial statements and to disclose the financial status of the Company accurately.

For auditor's reporting responsibilities, please refer to the auditor's report.

The Board of the Company had conducted a detailed and thorough review of the Company's going-concern ability, formulated improvement measures such as accelerating production and operation and additional share issuance, and obtained a financial support commitment letter from IRICO Group, the controlling shareholder of the Company; the above measures will be able to generate expected benefits from its production and operation and obtain sufficient funding required for ensuring its production and operating activities, repaying debts as they fall due and financing capital expenditures.

4. Securities transactions by Directors

The Board has adopted the Model Code as the code of conduct regarding securities transactions by Directors of the Company. The Model Code is also applicable to selected employees who may possess certain inside information of the Company that has been not disclosed, including such employees in the Company's subsidiaries and parent company. Upon appointment, each Director would receive a copy of the Model Code. After that, the Model Code is delivered twice a year, namely, 30 days prior to the Board meeting to approve the Company's interim results and 60 days prior to the Board meeting to approve the Company's annual results, together with an indicative notice to remind the Directors that they may not deal in the Company's shares until the publication of the results announcement.

All Directors confirm that during the reporting period, all Directors and the selected employees who may possess certain inside information of the Company that has not been disclosed complied with the Model Code and none of the said persons had interests or short positions which are required to be notified to the Company and the Stock Exchange, or incurred any violation of regulations.

Corporate Governance Report (Continued)

5. Control mechanism

Internal control and internal audit

Internal control system

The Board is fully in charge of the Company's internal control system, including its overall financial and operational status, hence avoiding material financial omission or loss and any omission or risk in relation to operation controls. Through its Audit Committee, the Board makes periodic (at least twice per year) review on the effectiveness of the internal control system of the Group, which includes controls over finance, operations, regulation compliance and risk management. Relevant results of 2019 have been reported to the Board through the Audit Committee.

The Company will review the internal control system in the process of all operations of the Company by questionnaires and systematic evaluations twice a year.

The Board confirms that the Company has set up procedures and systems for efficient recognition, assessment and management of material operating risks. The Company has complied with the Code Provisions relating to internal controls as set out in the CG Code for the year ended 31 December 2019.

Internal audit

The Company has set up internal audit, which oversees the internal controls, ensures the achievement of the corporate goals and conducts independent reviews.

The internal audit department gives its prudent opinion as to whether the Company's operations have a comprehensive and efficient risk management system and reports to the Audit Committee of the Company accordingly. In 2019, all internal audit reports and opinions were submitted to the general manager and other executive Directors as well as the senior management of the audit department. The audit department also follows up on issues identified during the audit process and conducts follow-up audit to ensure that such issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the internal audit and the external auditor so that both are aware of the significant factors that may affect their respective scope of work.

Corporate Governance Report (Continued)

5. Control mechanism (Continued)

Internal control and internal audit (Continued)

Risk management

The Board properly implements operation risk management procedures across the Company and formulates policies and procedures which provide a framework for identification and management of risks. The Company will review the risk management system in the process of all operations of the Company by questionnaires and systematic evaluations twice a year. The Board fulfils its oversight role over the Company and its subsidiaries in the following areas:

- establishment of the risk management system of the Company and identification of the risk portfolio of the Company;
- identification, assessment and management of the material risks faced by various units of the Company;
- review and assessment of the appropriateness of the Company's risk management process, system and internal control;
- review and monitoring the execution of the Company's risk management process, system and internal control, including compliance with requirements of prudence and legality while conducting businesses.

The Board is fully in charge of overseeing the operations of the Company's business units. Personnel with proper experience and skills are appointed to the board of directors of the Company's subsidiaries and associated companies to attend their board meetings and to oversee the operations of those companies. Monitoring activities include review and approval of business strategies, budgets and plans as well as setting up key business performance indicators. The identification, evaluation and report on the likelihood and potential financial impact of material business risks are issues left to the management personnel of such companies.

During the year 2019, the Board continued to supervise the Group's risk management and internal control, and has reviewed the effectiveness of the risk management and internal control and confirmed that the Group has adequate resources for the Group's accounting, internal audit and financial reporting functions, and that the employees' qualifications and experience, the training courses for the employees and the related budgets are adequate. In the areas of financial management, risk management, compliance and financial operating risk management, the effective implementation, timely review and corresponding results are reported in the monthly operation meetings. The Board is responsible for the risk management and internal control systems, and the review of such systems as to their effectiveness. The objectives of such systems are to manage rather than eliminate the risks of failure in achieving business objectives, and to provide only a reasonable, but not absolute, assurance against material misstatements or losses.

Corporate Governance Report (Continued)

5. Control mechanism (Continued)

Internal control and internal audit (Continued)

In the aspect of information disclosure, the Company's information disclosures are regulated in accordance with the requirements and procedures to ensure compliance with the relevant laws and regulations of the mainland China and Hong Kong, and the rules and requirements of the Listing Rules, so as to correctly fulfill the obligation of information disclosure. This is to be incorporated into the daily assessment to ensure information disclosures are in sound compliance. In addition, the Company has adopted procedures for and internal control over the handling and publication of inside information, involving scope, compliant disclosure and reporting procedures thereof. All reasonable measures are taken to make sure that external regulation and internal management are fully implemented.

The Chairman is the first responsible person of the Company's information disclosure. The secretary of the Board is responsible for the coordination and organising of the specific matters of information disclosure. The office of the Board is the department responsible for the daily management of information disclosure.

The Company has established an information disclosure system with corresponding risk management and internal control related documentation. The relevant process is as follows:

- (1) The person-in-charge of the department that provides the information conscientiously checks the relevant information manuscript to ensure its truthfulness, accuracy and completeness, and upon confirmation that there are no misinterpretations, misleading statements or material omissions, affixes the signature or seal thereon;
- (2) The secretary of the Board conducts a compliance review, and informs the Directors and the senior management of the Company of the information through appropriate channels in a timely manner, and if necessary, submits to the Board for approval;
- (3) The chairman or the authorised representatives of the Board signs and approves the issuance of the information.

In 2019, the Company has complied with the above internal systems in relation to information disclosure obligations and made timely announcements of important matters that are to be disclosed. The Company has ensured the truthfulness, accuracy, completeness and timeliness of the disclosed information, and made sure that the investors were able to obtain publicly disclosed information in an open, fair and equitable manner.

Corporate Governance Report (Continued)

5. Control mechanism (Continued)

Internal control and internal audit (Continued)

External auditor and their remunerations

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, the Company considered and approved at the 2018 annual general meeting held by the Company on 28 May 2019 that WUYIGE Certified Public Accountants LLP would not be reappointed as the Company's auditor for the year of 2019, and decided to appoint BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) as the Company's auditor for the year of 2019. The Audit Committee reviewed the letter from BDO China Shu Lun Pan Certified Public Accountants LLP to confirm its independence and objectiveness, held meetings with the said auditor to discuss its audit scope and fees, and approved scope and fees for any non-audit service to be provided by the firm as required.

As of the year ended 31 December 2019, the remuneration of the external auditor amounted to RMB2,820,000, all of which was audit service fees. There were no non-audit service fees during the year. The audit fee has been approved by the Audit Committee and the Board.

6. Interests of shareholders and investor relations

General meetings

The Company encourages Shareholders' attendance at annual general meetings and gives at least a 45-day prior notice of such meetings. The Chairman shall attend the annual general meetings and invite the chairman of each committee (if he is unable to attend, a member of such committee will be invited) of the Board to attend the annual general meeting, and answer inquiries from the Shareholders. All Directors (especially independent non-executive Directors and non-executive Directors) shall attend the general meetings on a regular basis, including annual general meeting and extraordinary general meeting.

All Shareholders have rights to request the convening of an extraordinary general meeting and put forward proposals for Shareholders' consideration in accordance with the Articles of Association. At the annual general meeting, each matter is put forward in the form of a separate proposal and voted by way of poll. Voting results of the general meeting are released in the form of announcements and relevant details of the meeting are published on the respective websites of the Stock Exchange and the Company.

Corporate Governance Report (Continued)

6. Interests of shareholders and investor relations (Continued)

General meetings (Continued)

On 28 May 2019, the 2018 annual general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 23 January 2019, an extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 16 July 2019, an extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

Details of the above general meetings are set out on the respective websites of the Stock Exchange and the Company.

The Company Secretary is responsible for day-to-day communications between the Board and substantial Shareholders. Investors and the public may also access the Company's website for detailed data of the Company's businesses. The Company's interim and annual results announcements can also be downloaded from the websites of the Stock Exchange and the Company.

According to the information available to the Company and as far as the Directors are aware, over 25% of the Company's total issued share capital has been held by public Shareholders.

Corporate Governance Report (Continued)

6. Interests of shareholders and investor relations (Continued)

Rights of Shareholders

Convening general meetings by Shareholders

In accordance with the provisions under the Articles of Association, when Shareholders request to convene an extraordinary general meeting or any class meeting, the following procedures shall be followed:

- (I) Two or more Shareholders who collectively hold more than 10 percent (including 10 percent) of the voting shares at the proposed meeting, can sign one or a few copies of written requests with the same format and content, with the agenda of the meeting clearly stated, to be submitted to the Board to convene an extraordinary general meeting or any class meetings. The Board shall, after receipt of the aforementioned written request, convene an extraordinary general meeting or class meeting as soon as possible. The aforementioned number of shares held by Shareholders shall be calculated based on the date of the written request.
- (II) If the Board, within thirty days after receipt of the aforementioned written request, fails to issue a notice to convene meetings, the Shareholders who have made the said request shall have the right to convene the meeting by themselves within four months after the Board receives the request, using the same procedure as the Board shall convene the meeting as possible.

Enquiry by Shareholders

Shareholders demanding inspection of the relevant information or requesting copies of the materials shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Shareholders may contact the Company Secretary through the hotline at (8629) 3333 3850 or by email at chxny@ch.com.cn. Upon verification of the Shareholder's identity, the Company shall provide such information or handle the enquiries in an appropriate way at the Shareholder's request.

Procedures for Shareholders to put forward proposals and contact information

In accordance with the provisions under the Articles of Association, at the annual general meetings of the Company, Shareholders either solely or collectively holding more than three percent (including three percent) of the Company's total voting shares, shall have the right to put forward a new proposal in writing to the Company, and the Company should put the proposed matters that are within the purview of the general meeting in the agenda of the meeting. Shareholders can contact the Company Secretary by email at chxny@ch.com.cn.

Corporate Governance Report (Continued)

6. Interests of shareholders and investor relations (Continued)

Information disclosure and investor relations

The Company is committed to increasing transparency and improving investor relations and has attached great importance to Shareholders' responses in this regard. The Company undertakes that it shall make impartial disclosure and provide full and transparent report. The ultimate duty of the Chairman is to ensure efficient communications with investors and to ensure the Board's understanding of the opinions of substantial Shareholders. After the Company's announcements of its interim and annual results, the Board is committed to providing Shareholders with clear and comprehensive results of the Group by publishing interim and annual reports. The Company endeavours to maintain a continuous candid communication with institutional investors and analysts, so as to deepen their understanding of the Group's management, financial condition, operation, strategies and plans. In addition, the Company arranges reverse road shows for analysts and investors from time to time, to foster intercommunication and understanding between investors and the management of the Company. Field visits to inspect plants and business premises of the Company by analysts and investors are welcomed.

By order of the Board
Si Yuncong
Chairman

Xianyang, the People's Republic of China
26 March 2020

Independent Auditor's Report

For the year ended 31 December 2019

Independent Auditor's Report

Xin Kuai Shi Bao Zi [2020]No. ZG10460

TO THE SHAREHOLDERS OF IRICO GROUP NEW ENERGY COMPANY LIMITED,

I. Audit Opinion

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 31 December 2019, the consolidated income statement and the income statement of the Company for 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 for 2019 as well as the relevant notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the consolidated and the Company's financial position as of 31 December 2019, and the consolidated and the Company's operating results and cash flows for 2019.

II. Basis for Audit Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the Certified Public Accountants' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

III. Material Uncertainty Related to Going Concern

We draw your attention to Note II, (II) to the financial statements. The Company recorded net current liabilities of RMB2,455,429,600 as at 31 December 2019. Such matters or conditions and other matters indicated that there are significant uncertainties over the ability of the Company to continue as a going concern. Content in this paragraph will not affect the audit opinions issued.

Independent Auditor's Report (Continued)

For the year ended 31 December 2019

IV. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine that the following are key audit matters that need to be communicated in the audit report.

Key audit matters

- (I) Recognition of compensation income on shutdown of furnaces

As stated in Note V (XLVI) Other incomes, X (V), 7 Other related party transactions, Xianyang Photovoltaic Glass Factory, a subsidiary of the Company, put into operations of three furnaces with a daily production volume of 250 tons photovoltaic glass in Xianyang old factory of IRICO. As the land of Xianyang Zhongdian IRICO Group Holdings Ltd.* ("Zhongdian Holdings") leased and occupied will be purchased and reserved for development in the future, resulting in the three furnaces of No. 2, No. 1, and No. 4 of Xianyang Photovoltaic Glass Factory failed to obtain approval for the cold repair proposal after the shutdown in March 2017, July 2017 and May 2019, respectively, which has a material impact on the production and operation of the Company. According to relevant national regulations, and upon mutual friendly negotiation, the Compensation Framework Agreement was signed in June 2019, which provided that Zhongdian Holdings will compensate Xianyang Photovoltaic Glass Factory for the loss on production suspension of RMB106,942,300. As the compensation income has a significant impact on the 2019 financial statements of the Company, and the calculation of compensation income involves management's judgment and estimation, therefore, we identified the compensation income on shutdown of furnaces included in other income as a key audit matter.

How our audit addressed the key audit matters:

Our audit procedures for the recognition of compensation income on shutdown of furnaces mainly include:

1. Understood and tested the decision-making process of the management regarding the compensation income on shutdown of furnaces;
2. Verified the relationship between Zhongdian Holdings and the Company, and inspected whether the determination of the consideration of related party transactions is fair;
3. Inspected relevant agreements, contracts and documents on the transaction and verified the specific conditions of the transaction;
4. Obtained the policy basis, industry standards and historical operating data of the Company used by management to calculate compensation, including key parameters such as compensation cycle, historical output, selling price and gross profit margin, and evaluated the rationality of the above basis, standards and operating data;
5. Re-calculated the compensation income on shutdown of furnaces and checked the calculation results with the management.

Independent Auditor's Report (Continued)

For the year ended 31 December 2019

Key audit matters

(II) Goodwill impairment test

Please refer to Note III (V)/(XXI) for the accounting policy of goodwill; refer to Note V (XVII) for the disclosure of goodwill.

As of 31 December 2019, the carrying value of the goodwill in consolidated financial statements of the Company was RMB41,533,000, and the goodwill impairment provision was RMB4,979,800. The above goodwill was mainly formed by the acquisition of Jiangsu IRICO Yongneng New Energy Company Limited of the Company.

The management of the Company conducts an impairment test on goodwill at the end of each year, and adjusts the carrying value of goodwill based on the results of the impairment test. The impairment test is based on the recoverable amount of a group of assets containing goodwill. The recoverable amount of a group of assets is the higher of the present value of the future cash flows expected to be derived from the asset and an asset's fair value less costs to sell. In terms of forecasting future cash flows, it includes key assumptions for forecasting revenue, sales growth rates and gross profit margin, and determining appropriate discount rates. These key assumptions are inherently uncertain and may be affected by management bias, so we recognize the goodwill impairment in consolidated financial statements is identified as a key audit matter.

How our audit addressed the key audit matters:

Our audit procedures for the goodwill impairment test mainly include:

1. Based on our understanding of the business and the requirements of the accounting standards for business enterprises, evaluated the accuracy and effectiveness of management's identification of each asset and a group of assets and how to allocate goodwill and other assets to each group of assets;
2. Assessed the competence, professional quality and objectiveness of external valuation experts appointed by management;
3. Participated in the work of external valuation experts, evaluated the methods and assumptions used when estimating the present value of future cash flows based on the requirements of accounting standards;
4. Evaluated the appropriateness of external experts using the discount rate and sales growth rate parameters in the discounted cash flow model, including the estimated production capacity, future selling price, growth rate, estimated gross profit margin and relevant expenditures of a group of assets, and comparative analysis with the historical data and industry standard of the relevant group of assets;
5. Evaluated whether the disclosure of goodwill impairment in the financial statements meets the requirements of the accounting standards for business enterprises.

Independent Auditor's Report (Continued)

For the year ended 31 December 2019

V. Other Information

The management of the Company (the management) is responsible for other information. Other information includes the information included in the Company's 2019 annual report, but excludes the financial statements and our audit report.

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

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

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

VI. Responsibilities of Management and Governance Layer for the Financial Statements

The management is responsible for preparing financial statements in accordance with Accounting Standards for Business Enterprises, and fairly presenting them; designing, implementing and maintaining necessary internal control to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters in relation to going concern (if applicable) and applying the going-concern assumption unless intends to liquidate, cease operations, or have no realistic alternative but to do so.

The governance layer is responsible for overseeing the financial reporting process of the Company.

Independent Auditor's Report (Continued)

For the year ended 31 December 2019

VII. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit work in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but the purpose is not to issue opinions on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent Auditor's Report (Continued)

For the year ended 31 December 2019

- (5) Evaluate the overall presentation (including disclosure), structure and content (including disclosure) of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we comply with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards (if applicable).

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

WUYIGE Certified Public Accountants LLP

*Chinese Certified Public Accountant: Xu Peimei
(Engagement Partner)*

Chinese Certified Public Accountant: Gu Xin

Shanghai • the PRC

26 March 2020

Consolidated Balance Sheet

As at 31 December 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Closing Balance	Balance at the end of last year
Current Assets:			
Cash at bank and on hand	(I)	405,448,222.14	260,546,684.16
Settlement reserve			
Lending funds			
Held-for-trading financial assets	(II)	2,863,047.11	679,095.34
Derivative financial assets			
Bills receivable	(III)	1,990,378.52	56,270,058.70
Accounts receivable	(IV)	449,019,198.76	666,021,403.75
Receivables financing	(V)	455,599,031.06	283,052,731.03
Prepayments	(VI)	40,999,068.57	63,045,789.85
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	(VII)	142,070,012.04	249,397,827.25
Financial assets acquired for resale			
Inventory	(VIII)	154,730,841.63	166,308,583.08
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	(IX)	78,529,164.23	85,627,181.99
Total current assets		1,731,248,964.06	1,830,949,355.15

Consolidated Balance Sheet (Continued)

As at 31 December 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Closing Balance	Balance at the end of last year
Non-current Assets :			
Loans and advances to customers			
Debt investment			
Other debt investments			
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	(X)	194,360,686.48	179,326,419.17
Other investments in equity instruments	(XI)	251,344,922.06	250,009,608.42
Other non-current financial assets			
Investment properties			
Fixed assets	(XII)	1,622,125,907.01	1,502,164,833.71
Construction in progress	(XIII)	791,768,042.42	772,497,652.24
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(XIV)	14,883,147.32	
Intangible assets	(XV)	242,468,802.24	264,864,756.84
Development expenditures	(XVI)	24,915,390.59	
Goodwill	(XVII)	36,553,211.37	38,544,327.69
Long-term deferred expenses	(XVIII)	857,353.95	19,689,300.10
Deferred tax assets	(XIX)	1,568,220.47	861,194.97
Other non-current assets	(XX)		11,869,754.47
Total non-current assets		3,180,845,683.91	3,039,827,847.61
Total assets		4,912,094,647.97	4,870,777,202.76

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal representative of
the enterprise:

Person in charge of
accounting:

Head of
accounting department:

Consolidated Balance Sheet (Continued)

As at 31 December 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Closing Balance	Balance at the end of last year
Current liabilities:			
Short-term borrowings	(XXI)	584,392,230.44	434,252,466.63
Borrowings from central bank			
Borrowing funds			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	(XXII)	652,957,552.71	490,689,505.29
Accounts payables	(XXIII)	760,375,514.52	889,384,282.44
Receipts in advance			
Contract liabilities	(XXIV)	45,545,512.30	50,535,500.53
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	(XXV)	16,983,477.31	42,518,480.81
Taxes charge payable	(XXVI)	12,578,792.19	22,195,570.97
Other payables	(XXVII)	1,574,136,220.28	1,539,489,454.26
Handling fee and Commission Payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	(XXVIII)	533,033,644.18	497,519,566.90
Other current liabilities	(XXIX)	6,675,591.27	
Total current liabilities		4,186,678,535.20	3,966,584,827.83

Consolidated Balance Sheet (Continued)

As at 31 December 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Closing Balance	Balance at the end of last year
Non-Current Liabilities:			
Insurance policy reserve			
Long-term borrowings	(XXX)	132,321,800.00	595,375,744.44
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	(XXXI)	10,661,506.91	
Long-term payables	(XXXII)	213,076,889.47	7,000,000.00
Long-term employee benefits payable	(XXXIII)	9,537,743.87	10,856,171.40
Estimated liabilities			
Deferred income	(XXXIV)	70,110,797.81	76,512,512.01
Deferred tax liabilities	(XIX)	636,361.01	664,907.28
Other non-current liabilities			
Total non-current liabilities		436,345,099.07	690,409,335.13
Total Liabilities		4,623,023,634.27	4,656,994,162.96

Consolidated Balance Sheet (Continued)

As at 31 December 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Closing Balance	Balance at the end of last year
Owner's Equity			
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)	-231,481,998.58	-233,080,783.78
Special reserve			
Surplus reserve	(XXXVIII)	22,477,267.06	22,477,267.06
General risk reserve			
Undistributed Profit	(XXXIX)	-2,778,892,693.43	-2,872,034,688.32
Total equity attributable to the owner's of the Company		187,983,419.15	93,242,639.06
Minority interest		101,087,594.55	120,540,400.74
Total equity attributable to the owners		289,071,013.70	213,783,039.80
Total liabilities and equity attributable to the owners		4,912,094,647.97	4,870,777,202.76

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal representative of
the enterprise:

Person in charge of
accounting:

Head of
accounting department:

Consolidated Income Statement

For the year 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
I. Total Operating revenue		2,245,112,790.54	2,331,919,056.79
Including: Operating revenue	(XL)	2,245,112,790.54	2,331,919,056.79
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		2,333,693,048.17	2,413,050,194.28
Including: Operating costs	(XL)	1,966,446,728.69	2,089,013,201.40
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)	11,895,745.55	9,908,805.07
Selling expenses	(XLII)	69,734,451.14	62,350,299.28
Administrative expenses	(XLIII)	128,478,554.44	120,967,328.51
Research and development expenses	(XLIV)	50,460,079.38	43,681,819.82
Finance costs	(XLV)	106,677,488.97	87,128,740.20
Including: Interest expense	(XLV)	109,203,148.48	85,654,817.90
Interest income	(XLV)	10,864,454.05	4,307,646.28
Add: Other income	(XLVI)	171,896,441.93	44,164,887.91
Investment income (loss is represented by "-")	(XLVII)	2,763,876.38	139,235,868.77
Including: Gains from investment in associates and joint ventures	(XLVII)	356,875.10	-1,544,793.72
Income from derecognition of financial asset at the amortized cost			
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)	-5,294.81	-102,782.68
Credit impairment losses (loss is represented by "-")	(XLIX)	-4,053,406.32	-12,004,452.48
Impairment losses on assets (loss is represented by "-")	(L)	-1,991,116.32	-5,061,614.57
Gains from disposal of assets (loss is represented by "-")	(LI)	146,297.50	55,533.98

Consolidated Income Statement (Continued)

For the year 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
III. Operating profit (loss is represented by "-")		80,176,540.73	85,156,303.44
Add: Non-operating income	(LII)	3,903,773.85	2,230,423.35
Less: Non-operating expenses	(LIII)	7,925,207.52	428,952.38
IV. Total profit (total loss is represented by "-")		76,155,107.06	86,957,774.41
Less: Income tax expenses	(LIV)	2,069,990.40	171,493.96
V. Net profit (net loss is represented by "-")		74,085,116.66	86,786,280.45
(I) Classified by continuity of operations:		74,085,116.66	86,786,280.45
1. Net profit from continuing operations (net loss is represented by "-")		74,085,116.66	-56,415,763.13
2. Net profit from discontinued operations (net loss is represented by "-")			143,202,043.58
(II) Classified by ownership of equity:		74,085,116.66	86,786,280.45
1. Net profit attributable to the shareholders (net loss is represented by "-")		93,141,994.89	81,297,979.57
2. Minority interests (net loss is represented by "-")		-19,056,878.23	5,488,300.88
VI. Other comprehensive income, net of tax	(XXXVII)	1,598,785.20	-114,592,070.32
Other comprehensive income (net of tax) attributable to the owners of the Company	(XXXVII)	1,598,785.20	-114,592,070.32
(I) Other comprehensive income that cannot be reclassified to profit or loss	(XXXVII)	1,335,313.64	-114,432,872.86
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. Changes in fair value of other equity instrument investments	(XXXVII)	1,335,313.64	-114,432,872.86
4. Changes in fair value of enterprise's own credit risk			

Consolidated Income Statement (Continued)

For the year 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
(II) Other comprehensive income that will be reclassified to profit or loss	(XXXVII)	263,471.56	-159,197.46
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified as other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flows hedging reserve			
6. Exchange differences from translation of foreign currency financial statements	(XXXVII)	263,471.56	-159,197.46
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			
VII. Total comprehensive income		75,683,901.86	-27,805,789.87
Total comprehensive income attributable to the owner of the Company		94,740,780.09	-33,294,090.75
Total comprehensive income attributable to minority shareholders		-19,056,878.23	5,488,300.88
VIII. Earnings per share:			
Basic earnings per share	(LV)	0.0417	0.0364
Diluted earnings per share	(LV)	0.0417	0.0364

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal representative of
the enterprise:

Person in charge of
accounting:

Head of
accounting department:

Consolidated Statement of Cash Flows

For the year 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		1,767,999,579.74	1,504,861,230.34
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from premiums of primary insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholders' deposits and investments			
Cash received from interest, fee and commission			
Net increase in capital borrowed			
Net increase of returned business capital			
Net cash received on behalf of brokerage customers			
Receipts of tax refunds		28,501,085.93	55,125,083.71
Cash received relating to other operating activities	(LVII)	730,034,602.74	526,231,089.53
Sub-total of cash inflows from operating activities		2,526,535,268.41	2,086,217,403.58
Cash paid for purchasing goods and receiving services		1,209,288,590.29	1,320,012,393.87
Net increase in customer loans and advances			
Net increase in funds placed with central bank and interbank			
Cash paid for claims under original policies			
Net increase in lending funds			
Cash paid as interest, fees and commission			
Cash paid as policy dividends			
Cash paid to and for employees		202,092,976.12	207,294,360.22
Cash paid for taxes and surcharges		20,428,757.97	37,068,685.69
Cash paid relating to other operating activities	(LVII)	666,333,644.65	754,593,933.64
Sub-total of cash outflows from operating activities		2,098,143,969.03	2,318,969,373.42
Net cash flows from operating activities		428,391,299.38	-232,751,969.84

Consolidated Statement of Cash Flows (Continued)

For the year 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
II. Cash flows from investing activities:			
Cash received from disposal of investments		128,473.94	1,396,007.90
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		26,000.00	120,174.00
Net cash received from disposal of subsidiaries and other business entities	(LVIII)	3,204,037.10	118,492,763.77
Cash received from other investing activities	(LVII)	1,334,699.71	
Sub-total of cash inflows from investing activities		4,693,210.75	120,008,945.67
<hr/>			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		165,178,601.06	227,893,377.99
Cash paid for investment		4,520,000.00	1,407,107.85
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business entities			
Cash paid relating to other investing activities	(LVII)	3,277,030.71	
Sub-total of cash outflows from investing activities		172,975,631.77	229,300,485.84
<hr/>			
Net cash flows from investing activities		-168,282,421.02	-109,291,540.17

Consolidated Statement of Cash Flows (Continued)

For the year 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
III. Cash flows from financing activities:			
Cash received from absorbing investments			
Including: Cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		1,033,500,000.00	1,691,054,243.76
Cash received relating to other financing activities	(LVII)	907,544,674.65	
Sub-total of cash inflows from financing activities		1,941,044,674.65	1,691,054,243.76
Cash paid for repayment of borrowings		1,218,548,782.04	1,330,024,146.67
Cash paid for distribution of dividends and profits or for interest expenses		96,800,972.92	86,263,155.03
Including: Dividends or profits paid to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	(LVII)	851,249,120.27	38,399,400.00
Sub-total of cash outflows from financing activities		2,166,598,875.23	1,454,686,701.70
Net cash flows from financing activities		-225,554,200.58	236,367,542.06
IV. Effect of changes in exchange rate on cash and cash equivalents			
		211,607.55	882,581.14
V. Net increase in cash and cash equivalents			
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			
		163,386,562.37	128,620,277.04

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal representative of
the enterprise:

Person in charge of
accounting:

Head of
accounting department:

Consolidated Statement of Changes in Equity

For the year 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	For the current period											Total owner's equity		
	Equity attributable to equity shareholders of the Company										Minority interests			
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			Undistributed profit	Sub-total
	Preference shares	Perpetual bonds	Others											
I. Closing balance of the previous year	2,232,349,400.00				943,531,444.10		-233,080,783.78		22,477,267.06		-2,872,034,688.32	93,242,639.06	120,540,400.74	213,783,039.80
Add: Changes in accounting policies														
Correction for error in previous period														
Business combination under common control														
Others														
II. Opening balance for the year	2,232,349,400.00				943,531,444.10		-233,080,783.78		22,477,267.06		-2,872,034,688.32	93,242,639.06	120,540,400.74	213,783,039.80
III. Movements in the period (decrease is represented by "-")							1,598,785.20				93,141,994.89	94,740,780.09	-19,452,806.19	75,287,973.90
(I) Total comprehensive income							1,598,785.20				93,141,994.89	94,740,780.09	-19,056,878.23	75,683,901.86
(II) Capital contribution and reduction from owners													-395,927.96	-395,927.96
1. Capital contribution from owners														
2. Capital contribution from owners of other equity instruments														
3. Amount of share-based payment included in shareholders' equity														
4. Others													-395,927.96	-395,927.96
(III) Profit distribution														
1. Appropriations of surplus reserve														
2. Appropriations 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		-231,481,998.58		22,477,267.06		-2,778,892,693.43	187,983,419.15	101,087,594.55	289,071,013.70

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal representative of
the enterprise:

Person in charge of
accounting:

Head of
accounting department:

Consolidated Statement of Changes in Equity (Continued)

For the year 2019 (All amounts in RMB Yuan unless otherwise stated)

Item	For the current period												Total owner's equity	
	Equity attributable to equity shareholders of the Company											Minority interests		
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			Sub-total
	Preference shares	Perpetual bonds	Others											
I. Closing balance of the previous year	2,232,349,400.00				943,531,444.10		-118,488,713.46		22,477,267.06		-2,953,332,667.89	126,536,729.81	115,052,099.86	241,588,829.67
Add: Changes in accounting policies														
Correction for error in previous period														
Business combination under common control														
Others														
II. Opening balance for the year	2,232,349,400.00				943,531,444.10		-118,488,713.46		22,477,267.06		-2,953,332,667.89	126,536,729.81	115,052,099.86	241,588,829.67
III. Movements in the period (decrease is represented by "-")														
(I) Total comprehensive income							-114,592,070.32				81,297,979.57	-33,294,090.75	5,488,300.88	-27,805,789.87
(II) Capital contribution and reduction from owners														
1. Capital contribution from owners														
2. Capital contribution from owners of other equity instruments														
3. Amount of share-based payment included in shareholders' equity														
4. Others														
(III) Profit distribution														
1. Appropriations of surplus reserve														
2. Appropriations 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		-233,080,783.78		22,477,267.06		-2,872,034,688.32	93,242,639.06	120,540,400.74	213,783,039.80

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal representative of
the enterprise:

Person in charge of
accounting:

Head of
accounting department:

Notes to the Consolidated Financial Statements

(All amounts in RMB Yuan unless otherwise stated)

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 31 December 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. On 20 June 2019, the principal place of business of the Company in Hong Kong changed to Units 1607-8, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong

The financial statements have been reported after approval by all Directors of the Company (the Board) on 26 March 2020.

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

I. COMPANY PROFILE (Continued)

(II) Scope of the consolidated financial statements

As at 31 December 2019, subsidiaries included in the scope of the consolidated financial statements are set out as below:

Name of subsidiaries
Shaanxi IRICO New Material Co., Ltd*(陝西彩虹新材料有限公司) (the “IRICO New Material”)
IRICO (Hefei) Photovoltaic Co., Ltd.*(彩虹(合肥)光伏有限公司) (the “Hefei Photovoltaic”)
IRICO Group Electronics (Hong Kong) Company Limited 彩虹集團電子股份(香港)有限公司 (the “IRICO (Hong Kong) Company”)
Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司) (the “IRICO Green Energy”)
IRICO Yan’an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司) (the “Yan’an New Energy”)
Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) (the “IRICO Yongneng”)
Shaanxi IRICO Xinneng Glass Co., Ltd.* (陝西彩虹新能玻璃有限公司) (the “Shaanxi New Energy”)

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation

Based on going concern, the Company conducted recognition and measurement in accordance with the actual transactions and matters and in accordance with the Accounting Standards for Business Enterprises-Basic Standards and the 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, and the disclosed rules of Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Rules on Financial Reporting issued by the China Securities Regulatory Commission, on the basis of which financial statements was prepared.

(II) Going concern

During the period from January to December 2019, the Company recorded net profits attributable to the owners of the parent company of RMB93,142,000 and net cash flows from operating activities of RMB428,391,300. As at 31 December 2019, the Company had current liabilities of RMB4,186,678,500, current assets of RMB1,731,249,000, and net current liabilities of RMB2,455,429,600, 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:

1. Along with the commencement of production of the Yan’an Photovoltaic Glass project adopting the global largest single-oxygen combustion furnace technology, the sales income and operating profit of the Company in the future will be significantly improved, and our cash flow will be greatly improved;
2. Benefiting from the rebound in demand from the industry, the Company will further expand the production capacity of the photovoltaic glass and new materials business. Currently, the sales orders are full and production and sales are booming, resulting that the business income of the Company is expected to increase significantly, and the operating results will also be improved significantly;
3. As the industry’s leading photovoltaic glass manufacturer, 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;
4. 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 and alleviating the pressure of fund. Meanwhile, the Company’s asset-liability ratio and finance costs will be significantly reduced.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(II) Going concern (Continued)

In preparing the financial statements for the year, the Board had conducted a detailed and thorough review of the Company's going-concern ability with reference to the current operational and financial situation of the Company, put forward the improvement measures and obtained a financial support commitment letter from IRICO Group Corporation Limited*, the controlling shareholder of the Company. Based on the above, the management is of the view that the Company will be able to generate expected benefits from its production and operation and obtain sufficient funding required for ensuring its production and operating activities, repaying debts as they fall due and financing capital expenditures.

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 accounting policies and estimates set out in Note III headed "Significant Accounting Policies and Accounting Estimates".

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates pointed:

The following disclosures cover the specific accounting policies and accounting estimates formulated by the Company based on the characteristics of actual production and operation. Please refer to the notes "III. (XXVIII) Revenue".

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

The financial statements is in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, reflecting the Company's financial position as at 31 December 2019, and operating results, cash flows and other relevant information for the year 2019 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 operating cycle of the Company is 12 months.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IV) Functional currency

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

(V) Accounting treatments for business combinations under common control and not under common control

Business combinations under common control: The assets and liabilities acquired by acquiree through business combination shall be measured at the carrying value of the assets, liabilities (including goodwill arising from the acquisition of the party being absorbed by the ultimate controller) of the acquiree in the consolidated 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 under common control: The assets paid and liabilities incurred or committed as a consideration of business combination by the acquirer 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 acquirer in business combination, such difference shall be recognized 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.

The direct relevant expenses incurred for the business combinations are recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt securities issued for business combination shall be recognised as the initial recognition amount of equity securities or debt securities.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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 on the basis of control, and the scope of consolidation comprises the Company and all of its subsidiaries.

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.

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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.

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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.

(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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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)

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 after the disposal 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 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.

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

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;
- 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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.

(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 that the Company is entitled to 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 long-term 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 that the Company is entitled to 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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 prorate 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;
- (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. (XV) Long-term equity investments” for details on the Company’s accounting policy on investment in joint ventures.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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 held by the Company 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.

(IX) Foreign currency transactions and translation of financial statements denominated in foreign currency

1. *Foreign currency transactions*

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange difference are recognised in profit or loss for the current period, except for those differences related to a specific-purpose borrowing denominated in foreign currency for acquisitions and construction of the qualified assets, which should be capitalised as cost of the borrowings.

2. *Translation of financial statements denominated in foreign currency*

For the translation of financial statements of foreign operation denominated in foreign currency, the assets and liabilities in the balance sheets are translated at the spot exchange rates on the balance sheet date; except for "Retained earnings" items, all items under owner's equity are translated at the spot exchange rates when incurred. The income and expense items in the income statement are translated at the spot exchange rates on the transaction dates.

On disposal of foreign operations, exchange differences in financial statements denominated in foreign currencies related to the foreign operation shall be transferred from owner's equity items to profit or loss to profit or loss from disposal for the current period.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial instruments

Financial instruments of the Company 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 other comprehensive income, or financial assets that are measured at fair value through current profit or loss.

If the objective of the business model is to collect contractual cash flows, and the contractual cash flows are solely payment of the principal and the interest based on the outstanding principal amount, the financial assets are classified as financial assets measured at amortized cost; if the objective of the business model is both to collect contractual cash flows and to dispose of the financial assets, and the contractual cash flows are solely payment of the principal and the interest based on the outstanding principal amount, the financial assets are classified as financial assets (debt instruments) measured at fair value through other comprehensive income, other financial assets are classified as financial assets measured at fair value through current profit or loss.

For an investment in equity instruments not held for trading purposes, the Company determines at the initial recognition whether it is designated as a financial asset (equity instruments) that is measured at fair value through other comprehensive income. At the initial recognition, financial assets can be designated as financial assets at fair value through current profit or loss to eliminate or significantly reduce an accounting mismatch.

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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, designate a financial liability as measured at fair value through current profit or loss:

- (1) Such designation would eliminate or significantly reduce an accounting mismatch.
- (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 enterprise risk management or investment strategy, and information about the enterprise 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.

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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 current profit or loss.

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

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

When derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings.

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

Financial assets measured at fair value through current 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 with changes in fair value included in current profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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 current profit or loss

Financial liabilities measured at fair value through current 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 current profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in fair value are recognized in current profit or loss.

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

(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 under 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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 financial asset; if the Company retains substantially all risks and rewards of ownership of the financial asset, the Company shall continue to recognize such financial 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 amounts included in current profit or loss:

- (1) the book value of the financial asset transferred;
- (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 financial asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

When the partial transfer of a financial asset meets 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 amounts included in current profit or loss:

- (1) The book value of the part that is derecognized;
- (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 financial asset transferred is a financial asset (debt instruments) 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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.

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial instruments (Continued)

6. *Test and accounting methods for impairment of financial assets*

The Company takes into account all reasonable and reliable information, including forward-looking information, and estimates financial assets measured at amortized cost by way of single or combination, or the expected credit losses of financial assets (debt instruments) measured at fair value through other comprehensive income. The measurement of the expected credit losses depends on whether its credit risk has increased significantly since the initial recognition of the financial assets.

If the credit risk of a financial instrument has increased significantly since the initial recognition, the Company measures the loss provisions according to the amount of the lifetime expected credit loss of the financial instrument; if the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss provisions at an amount equal to the next 12-month expected credit losses of the financial instrument. The resulting increase in or reversal of loss provision shall be included in current profit or loss as impairment losses or gains.

Usually, if it is overdue for more than 30 days, the Company will consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove that the credit risk on a financial instrument has not increased significantly since initial recognition.

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk on a financial instrument has not increased significantly since the initial recognition.

If there is objective evidence that a financial asset has been credit impaired, the Company shall make individual provision for the impairment of the financial asset.

For trade receivables whether contain significant financing components or otherwise, the Company always measures the loss provision at the amount equal to the lifetime expected credit loss.

For lease receivables and long-term receivables formed by the Company through the sale of goods or the provision of labor services, the Company chooses to always measure the loss provisions at the amount equal to the lifetime expected credit loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of Receivables

Accounts receivable of the Company comprise accounts receivable, bills receivable, receivables financing, contract assets, other receivables and long-term receivables. If there is objective evidence that they have been impaired at balance sheet date, impairment loss shall be recognized based on the differences between the carrying amount and the present value of estimated future cash flows.

1. *Accounts receivable and bills receivable*

For accounts receivable and bills receivable, whether it contains significant financing components, the company always measures its loss provisions in accordance with the amount of expected credit losses for the entire life period, 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.

- (1) Accounts receivable that are individual determination and subject to provision for bad debt

The impairment test is conducted separately. If there is objective evidence that it has been impaired, provision for bad debts will be made based on the difference between the present value of estimated future cash flows and its book value, which shall be included in the current profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of Receivables (Continued)

1. *Accounts receivable and bills receivable* (Continued)

(2) Accounts receivable for which provision for bad debts by portfolio

For the accounts receivables and bill receivables without objective evidence of impairment or the expected credit loss cannot be estimated for an individual provision at a reasonable cost, the Company grouped trade receivables and bill receivables in accordance with credit risk characteristics and calculated the expected credit loss based on portfolio. The reason of choosing the portfolio are as follows:

The reason of choosing the portfolio

The portfolio of bills	The portfolio is in the credit risk characteristic of the credit degree of acceptance bank or acceptor
The portfolio of aging	The portfolio is in the credit risk characteristic of the aging of accounts receivable
The portfolio of related parties	The portfolio is in the credit risk characteristics of the trading relationship of accounts receivable
The portfolio of deposit, guarantees and reserves	The portfolio is in the credit risk characteristic of the nature of accounts receivable

The method of accruing bad debt provision on portfolio

The portfolio of bills	The credit risk characteristic is in the credit degree of acceptance bank or acceptor
The portfolio of aging	Accruing bad debt provision based on aging analysis method
The portfolio of related parties	Other method
The portfolio of deposit, guarantees and reserves	Other method

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of Receivables (Continued)

1. Accounts receivable and bills receivable (Continued)

(2) Accounts receivable for which provision for bad debts by portfolio (Continued)

The Company combines the receivables with similar credit risk characteristics and the Company estimates the proportion of accruing bad debt provision by aging portfolio based on all reasonable and evidenced information, including forward-looking information:

Aging	Provision ratios for accounts receivable (%)
0–6 months	0
7–12 months	1
1–2 years	30
2–3 years	50
over 3 years	100

In the portfolio, other methods are used to accrual provision for bad debts:

When there is objective evidence that the Company will not be able to recover all the amount in accordance with the original terms of the receivables, the impairment test is carried out separately and the provision for bad debts is made based on the difference between the present value of its future cash flow and its book value.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of Receivables (Continued)

2. *Receivables financing*

If both bills receivable and accounts receivable meet the following conditions: 1) contractual cash flows is for the payment of interest based on the principal and the principal outstanding; 2) the objective of the Company's business model for managing the bills receivable and accounts receivable is both to collect contractual cash flows and to dispose the bills receivable and accounts receivable.

The Group classifies it as financial assets at fair value through other comprehensive income. It was presented as a receivables financing on the statement. For the relevant specific accounting treatment, please see the note "III. (X) Financial instruments";

When it is unable to assess the information of the expected credit loss at a reasonable cost in accordance with an individual item, the Company shall divide the bill receivables and account receivables into certain combination based on the credit risk characteristic and estimate the expected credit loss on the basis of the combination. If any objective evidence indicates that a bill receivable and an account receivable has been credit impaired, the Company shall make individual provision for bad debts and recognize the expected credit losses for the bills receivable and accounts receivable. For the bills receivable and accounts receivable divided into portfolios, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

3. *Other receivables*

For the measurement of impairment loss of other receivables, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

4. *Others*

For other receivables such as bills receivable, interests receivable, long-term receivables and etc., the provision for bad debts is made based on the difference between the present value of future cash flows and its book value.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Inventories

1. *Classification*

Inventories are classified into raw materials, work in progress, revolving materials, low-value consumables, packaging materials, goods in stock (finished goods), and goods in transit, etc.

2. *Measurement for inventories delivered*

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

3. *Basis for the determination of net realisable value of different type 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 estimated selling costs and related 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.

Provision for decline in value of inventories is made on an item-by item basis at the end of the period. For large quantity and low value items of inventories, provision for decline in value of inventories 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 practicable evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Inventories (Continued)

4. *Inventory system*

The perpetual inventory system is adopted.

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

(1) Low-value consumables are mortised using the immediate write-off method.

(2) Packaging materials are mortised using the immediate write-off method.

(XIII) Contract assets

1. *Recognition and standard 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 that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is listed as a contract assets; the obligation of the Company to transfer goods or provide services to customers for which the consideration is received or receivable is presented as contract liabilities. Contract assets and contract liabilities under the same contract shall be shown on a net basis.

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

For the method of determination of expected credit loss of contract assets and accounting treatment methods, please refer to the Note “III. (X) 6. Testing of Impairment of Financial Assets and Accounting Treatment Methods”.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Assets classified as held-for-sale

The Company recognises non-current assets or disposal groups which meet the following conditions as assets held for sale:

- (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions;
- (2) The assets are highly likely to be sold, namely, the Company has been offered a resolution with one disposition of the assets and obtained a firm purchase commitment and the disposition will be completed within 1 year. If regulation needs to be approved by the relevant authorities or supervision department of the Company, such approval has been obtained.

(XV) 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) 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, bears debts or issues 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 investment 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 on 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.

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 investment cost.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Long-term equity investments (Continued)

2. *Determination of initial investment cost* (Continued)

(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.

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) 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 investments in subsidiaries are accounted for using 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's 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.

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) 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's share of net profit or loss of an investee is determined based on the fair value of identifiable assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Company, recognition shall be made to the net profit of the investee after the adjustment. 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.

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 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 relevant accounting treatment disclosed in 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) 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)

When the investee realizes net profit or net increase in other comprehensive income in the following period, the Company shall carry out accounting treatment in the reverse order of the previous confirmation or registration of the investment net loss, i.e. write down the net unconfirmed investment loss, restore other long-term rights and interests and restore the book value of long-term equity investment in sequence, and review the book value of the estimated liabilities and make adjustments according to the best estimation after review.

(3) Disposal of long-term equity investments

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds received should be charged to 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) 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.

When the Group loses the control over the investee due to partially disposal of equity investment, decline in shares of the Company resulting from the increased investment on the subsidiaries 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Long-term equity investments (Continued)

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

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

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.

4. *The recognition criteria and methods of provision for impairment of long-term equity investments*

The Company assesses whether an indication of impairment exists in the long-term equity investments at the end of each period.

If an indication of impairment exists in the long-term equity investments, for example, when the carrying value of long-term equity investments is greater than the share of the carrying value of the owner's equity of the investee, etc., the Company shall conduct an impairment test on the long-term equity investments and estimate the recoverable amount.

Where the recoverable amount of the asset is lower than the difference with the carrying amount of long-term equity investments, the provision for impairment shall be made, the provision for impairment cannot be reversed in subsequent accounting periods once recognized.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Investment property

Investment property is held to earn rentals or for capital appreciation or both which include leased land use rights; land use rights held for sale after appreciation; leased buildings (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

The Company's existing investment property is measured at cost. Investment property measured at cost – buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

(XVII) 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. Fixed asset is recognised when it meets the following conditions:

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

2. *Methods for depreciation*

Fixed assets of the Company 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Fixed assets (Continued)

2. Methods for depreciation (Continued)

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

Category	Depreciation methods (Years)	Useful life (%)	Residual value rate (%)	Annual depreciation rate (%)
Plant and buildings	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

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.

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Construction in progress

The total value of the construction in progress before the construction of the asset is ready for its use, as the recorded value of the fixed assets. 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 depreciation 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.

(XIX) 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, construction 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.

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 get ready for their intended use or sale have commenced.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) 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, construction or production gets ready for intended use or sale.

If part of the project of acquisition, construction or production of qualifying assets has been completed respectively and can be put into use individually, capitalisation of borrowing costs of that part 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, the capitalisation of borrowing costs should cease upon the completion of all parts of the said asset.

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, and 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, 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, construction or production of the asset resumes, the capitalisation of borrowing costs continues.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Borrowing costs (Continued)

4. *Calculation of capitalisation amount of borrowing costs*

As to specific borrowings for the acquisition, construction or production of qualifying assets, borrowing costs from 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 the investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

As to 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 specific borrowings and the capitalisation rate of the said general borrowings. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of general borrowings.

(XX) Intangible assets

1. *Measurement of intangible assets*

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

The costs of an externally purchased intangible asset include the purchase price, relevant tax expenses, 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's 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's right waived thereunder should be included in current profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Intangible assets (Continued)

1. *Measurement of intangible assets* (Continued)

- (1) Intangible assets are initially measured at cost upon acquisition by the Company;
(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, it is measured on the basis of fair value. If the fair value of the assets received or surrendered can be reliably measured, for the intangible asset received, the fair value of the assets surrendered and the relevant taxes and fees payable shall be taken as the initial investment cost of the intangible asset received, unless there is concrete evidence that the fair value of the assets received is more reliable. If the non-monetary assets transaction does not have commercial substance, or the fair value of the assets received or surrendered cannot be reliably measured, for the intangible asset received, the book value of the assets surrendered and the relevant taxes and fees payable shall be taken as the initial investment cost of the intangible asset received.

- (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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Intangible assets (Continued)

2. *Estimate of useful life for the intangible assets with finite useful life*

Items	Estimated useful lives (Years)	Amortization method
Land use rights	16.75–50	straight-line method
Trademark use rights	10	straight-line method
Computer software	5–10	straight-line method
Patent	10	straight-line method
Software copyrights	10	straight-line method
Non-patent technology	5	straight-line method

The useful life and amortization method of intangible assets with finite useful life are reviewed at the end of each period.

After review, the useful life and amortization method of intangible assets at the end of this period remain the same as the previous period.

3. *Basis for determining intangible assets with indefinite useful life and procedure for reviewing its useful life*

The useful life of intangible assets with indefinite useful life is reviewed at the end of each period.

4. *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: a phase in which innovative and scheduled investigations and research activities are conducted to obtain and understand new scientific or technological knowledge.

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Intangible assets (Continued)

5. *Specific conditions for capitalisation of expenditure incurred in development phase*

Expenditure 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 if the intangible asset is for internal use, there is evidence that proves its usefulness;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (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. Development expenditure previously included in profit or loss will not be recognized as assets in subsequent periods. The capitalized expenditures for the development phase are presented as development expenditures on the balance sheet, and are converted to intangible assets from the date when the project reaches its intended use.

When the recoverable amount of development expenditure is lower than its carrying amount, the carrying amount will be reduced to the recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Impairment of long-term assets

Long-term assets such as long-term equity investments, fixed assets, construction in progress, right-to-use assets, use of intangible assets with a finite useful life are tested for impairment if there is any indication that such assets 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 is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are tested for impairment at least at the end of each year.

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 groups, or if there is a difficulty in allocation, to allocate it to the set of asset groups. When the Company allocates the carrying value of goodwill, the allocation shall be made based on the relative benefits gained from the synergy of business combination by relevant asset group or set of asset groups, based on which impairment tests for goodwill shall be carried out.

For the purpose of impairment test on the relevant asset groups or the set of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or set of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups 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 asset groups 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) Long-term deferred expenses

Long-term deferred expenses are expenses which have occurred with amortization period over 1 year and shall be borne by the current period and subsequent periods.

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

(XXIII) Contract liabilities

The Company has presented contract assets or contract liabilities in the balance sheet based on the connection between the fulfilment of performance obligations and payment of the customers. A contract liability represents the obligation to transfer goods or services to a customer for which the Company has received a consideration or an amount of consideration that is due from the customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

(XXIV) Employee benefits

1. *Accounting treatment methods 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 current profit or loss or cost of relevant assets.

With regard to medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident funds contributed and labour union expenses and employee education expenses paid 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 welfare expenses, if can be reliably measured, are measured at fair value.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV)Employee benefits (Continued)

2. Accounting treatment methods of Post-employment benefits

(1) Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance for the staff in accordance with the relevant provisions of the local government. 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 profit or loss or costs of relevant assets.

(2) Defined benefit scheme

In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the estimated accrued benefit method to the service period of relevant employee, and record the obligation in profit loss for the current period or costs of related 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 of a defined benefit scheme. 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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Employee benefits (Continued)

2. *Accounting treatment methods of Post-employment benefits (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 remeasurement 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 previously 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.

3. *Accounting treatment of Termination benefits*

The Company recognizes employee benefits liabilities arising from termination benefits and recorded in current 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).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Estimated liabilities

When the Company is involved in litigation, debt guarantees, loss contracts, and restructuring matters, if such matters are likely to require future delivery of assets or provision of labor services, and the amount can be reliably measured, it is recognized as an estimated liability.

1. *Recognition criteria of estimated liabilities*

The Company shall recognize it as the 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 of the Company;
- (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.

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Estimated liabilities (Continued)

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

The best estimates are handled as follows:

If there is a successive range (or interval) of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the intermediate value, i.e. the average of the upper and lower limits of the range.

If there is not a successive range (or interval) of required expenditure, or although there is a successive range (or interval), the likelihood of occurrence of various results within the range is not the same, and where the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the various possible results and the relevant probabilities.

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Share-based payments

The Company's share-based payment represents transactions in which the Company receives services from employee by granting equity instruments or incurring liabilities that are based on the price of the equity instruments to the employee or other suppliers. The Company's share-based payments included equity-settled share-based payments and cash-settled share-based payments.

1 *Equity-settled share-based payment and equity instrument*

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the Company make the share-based payment by restricted shares, employees will subscribe the share but those shares shall not be listed on the market or transferred before it fulfill the unlocking condition and unlocked. If the unlocking conditions stipulated in the equity incentive scheme cannot be fulfilled eventually, the Company will repurchase those shares based on the predetermined price. Upon obtaining the payment for subscribing restricted shares made by the employees, the Company will recognized the share capital and capital reserve (share capital premium) according to the payment it received, while fully recognize a liability for its repurchasing obligation as well as its treasury shares. On each balance sheet date within the vesting period, the Company will make the best estimation of the number of vested equity instruments based on the subsequent information such as the updated changes in the number of executives and the achievement of performance standard. Based on the above results, the services received in the current period will be included in the relevant cost or expense based on the fair value on the date of grant, and the capital reserve will be increased accordingly. The recognized cost or expense and owners' interest will not be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant will be included in the relevant cost or expense based on its fair value on the date of grant, and the capital reserve will be increased accordingly.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Share-based payments (Continued)

1 *Equity-settled share-based payment and equity instrument (Continued)*

For the share-based payments that are not vested eventually, no cost or expense will be recognized, except the vesting condition is market condition or non-exercisable condition. Under such circumstances, no matter whether the market condition or non-exercisable condition can be fulfilled, the share-based payment will be deemed as vested as long as all the non-market conditions in the vesting condition are fulfilled.

If the terms of the equity-settled share-based payment are amended, the Company shall recognize the services received at least based on the situation before the amendment was made. In addition, any amendment resulting in the increase of the fair value of the equity instrument granted or changes that are beneficial to the staff on the amendment date, will be recognized as an increase in the service received.

If the equity-settled share-based payment is cancelled, it will be accounted for as accelerated exercise on the cancellation date and the unrecognized amount will be recognized immediately. Employees and other parties are able to satisfy the non-vesting conditions. If the conditions are not fulfilled during the vesting period, the equity settled share-based payment will be deemed as cancelled. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to cancelled equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument with the same terms and conditions.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Share-based payments (Continued)

2 *Cash-settled share-based payments and equity instrument*

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. It is initially measured at fair value on the date of grant, taking account into the terms and conditions of the equity instrument granted, for details, please refer to “XXVI. Share-based payments” of this notes. If the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured and the changes will be included in the profit or loss for the current period.

(XXVII) Other financial instruments such as preferred shares and perpetual bonds

The Company's preferred shares and perpetual bonds are, on initial recognition, classified into financial assets, financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms instead of only on the basis of the legal form.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Other financial instruments such as preferred shares and perpetual bonds (Continued)

For financial instruments such as perpetual bonds/preference shares issued by the Company, which meet one of the following conditions, such financial instrument as a whole or a component thereof is classified as a financial liability on initial recognition:

- (1) there are contractual obligations performed by the delivery of cash or other financial assets that the Company cannot unconditionally avoid;
- (2) there are contractual obligations that include the delivery of a variable number of own equity instruments for settlement;
- (3) there are derivatives that are settled with their own equity (such as conversion rights), and the derivatives are not settled with a fixed amount of their own equity instruments for a fixed amount of cash or other financial assets for settlement;
- (4) there are contractual clauses that indirectly form contractual obligations;
- (5) when the issuer liquidates, the perpetual bonds are in the same liquidate order as the ordinary bonds and other debts issued by the issuer.

For financial instruments such as perpetual bonds/preference shares that do not meet any of the above conditions, such financial instrument as a whole or a component thereof is classified as an equity instrument on initial recognition.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Revenue

1. *Accounting policies adopted for revenue recognition and measurement*

The Company recognizes revenue when the performance obligation in a contract is fulfilled, namely when the customer acquires control over the relevant goods. If a contract contains two or more performance obligations, at the commencement of the contract, the Company allocates the transaction price into each individual performance obligation according to the relative proportion of each individual selling price of goods committed by individual performance obligation, and recognizes the revenue according to the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration that the Company expects to be entitled to receive as a result of the transfer of goods to the customers. When determining the transaction price, if there is a variable consideration, the Company shall determine the best estimate of the variable consideration according to its expected value or the amount most likely to be incurred and the transaction price included by the Company does not exceed the amount of revenue accumulatively recognized when the relevant uncertainties are eliminated and where it is highly unlikely that a major reversal on such revenue will occur. Where there are significant financing elements in the contract, the Company will adjust the transaction price according to the financing elements in the contract; where the interval between the transfer of control right and the payment of the price by the customer does not exceed one year, the financing elements in the contract will not be considered by the Company.

When one of the following conditions is satisfied, the Company is considered to have fulfilled an obligation within a certain period of time. Otherwise, the Company is considered to have fulfilled an obligation at a certain point in time:

- (1) At the same time when the Company fulfills the obligation, the customer immediately obtains and consumes the economic benefits brought about by the Company's performance.
- (2) The customers can control the goods under construction in the course of the Company's performance.
- (3) Goods produced in the course of the Company's performance are irreplaceable. In addition, during the entire contract period, the Company has the right to collect the payments for the cumulatively completed parts of performance.

For obligations fulfilled within a certain period of time, the Company recognizes income in accordance with the fulfillment progress of the performance obligations. Otherwise, the Company recognizes revenue at the point of time when the customer acquires control over the relevant goods.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) Contract costs

Contract costs are divided into contract performance costs and contract acquisition costs.

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

1. This cost is directly related to a current or expected contract.
2. This 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 the cost of the contract are amortized on the same basis as the 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 include it into the current profit or loss when it incurs.

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

1. The remaining 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 above-mentioned 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Government grants

1. *Types of government grants*

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.

2. *Timing for recognition*

Government grants related to revenue is recognised when the grant is received;

3. *Measurement and derecognition of government grants*

The government grants of the Company are recognized when the conditions attached to the government grants are met and the government grants are received.

As for monetary assets, government grants are measured based on the received or receivable amounts. As for non-monetary assets, government grants are measured based on their fair value; if the fair value cannot be estimated reliably, they will be measured based on nominal amount.

Asset-related government grants 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). For relevant assets that are sold, transferred, discarded or damaged before the end of their useful lives, the relevant unallocated deferred incomes are transferred into the profit or loss of the current period when the assets are disposed of.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Government grants (Continued)

3. *Measurement and derecognition of government grants (Continued)*

Government grants related to income that are used to compensate relevant costs or losses of the enterprise 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 enterprise 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.

A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Government grants (Continued)

4. *Accounting treatment of return of government grants*

If the government grants that the Company has confirmed need to be returned, accounting treatment will be carried out in the current period according to different circumstances:

- (1) Where it has been offset against the carrying value of the relevant asset on initial recognition, the carrying value of the asset is adjusted;
- (2) If there is relevant deferred income, the book value of the related deferred income will be offset, and the excess will be included in current profit or loss;
- (3) In other circumstances, the returned grant will be directly included in current profit or loss.

(XXXI) Deferred income tax assets and deferred income 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Deferred income tax assets and deferred income tax liabilities (Continued)

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.

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 of the Company shall be presented as the net amount after offsetting.

(XXXII) Lease

The applicable accounting policies commencing from 1 January 2019.

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified asset(s) for a period of time in exchange for consideration.

For a contract that contains multiple separate lease, the lessee and lessor separates and accounts for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and lessor separates the lease and non-lease components.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Lease (Continued)

1. *The Company as a lessee*

(1) Right-of-use assets

At the commencement date of lease term, the Company recognizes right-of-use assets for leases (excluding short-term leases and leases of low-value assets). 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 Company;
- an estimate of costs to be incurred by the Company 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. Such costs are incurred to produce inventories and included in the costs of inventory.

The Company uses straight-line method to accrue depreciation for the right-of-use assets. If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.; if there is no reasonable certainty that the Company will obtain ownership of a leased asset at the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Lease (Continued)

1. *The Company as a lessee (Continued)*

(2) Lease liabilities

At the commencement date of lease term, the Company recognizes lease liabilities for leases (excluding short-term leases and leases of low-value assets). Lease liabilities are initially measured based on the present value of outstanding lease payment. 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 Company;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease option, if the lease term reflects that the Company will exercise that option.

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined reasonably, 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 profit or loss in the period or cost of relevant assets.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Lease (Continued)

1. The Company as a lessee (Continued)

(2) Lease liabilities (Continued)

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

After the commencement date of lease term, if the following circumstances occur, the Company remeasures the lease liability based on the present value of the lease payments after the change:

- changes in the amount expected to be payable under the guaranteed residual value;
- changes in the index or rate arising from the confirmation of lease payments;
- changes in the reassessment of the Company in relation to the purchase, extension or termination option or the actual exercise condition of extension or termination option disaccords with the original assessment.

When remeasuring the lease liability, the Company shall make a corresponding adjustment any to the carrying amount of the right-of-use asset, or the remaining amount is recorded in profit or loss in the period if the carrying amount of the right-of-use asset has been adjusted downward to zero but the lease liabilities shall still be adjusted downward.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Lease (Continued)

1. The Company as a lessee (Continued)

(3) Short-term leases and leases of low-value assets

The right-of-use asset and lease liability are not recognized by the Company for short-term leases and leases of low-value assets, and the relevant lease payments are included in profit or loss in the period or costs of relevant assets in each period of the lease term on a straight-line basis. Short-term leases are defined as leases with a lease term of not more than 12 months from the commencement date and excluding a purchase option. Leases of low-value assets are defined as leases with underlying low value when new. Where the Company subleases or expects to sublease a leased asset, the original lease shall not belong to a lease of low-value asset.

(4) Lease change

The Company will account for the lease change as a separate lease if the lease changes and meets the following conditions:

- 1) the lease change expands the scope of lease by increasing the rights to use one or more leased assets;
- 2) the increased consideration and the individual price of the expanded part of the lease are equivalent to the amount adjusted for the contract.

If the lease change is not accounted for as a separate lease, the Company shall re-allocate the consideration of a changed contract, re-determine the lease term, and remeasure the lease liabilities by the present value calculated from the changed lease payments and revised discount rate on the effective date of the lease change.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Lease (Continued)

2. *The Company as a lessor*

At the commencement date of lease term, the Company classifies leases as financing leases and operating leases. A financing lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset, irrespective of whether the ownership of the asset is eventually transferred. An operating lease is a lease other than a finance lease. As a sub-leasing lessor, the Company classifies the sub-leases based on the right-of-use assets of the original leases.

(1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognised as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases to be 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 lease term. The variable lease payments not included in the measurement of lease payments shall be recognised in profit or loss in the period in which they are occurred.

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes financing lease receivable and derecognizes the underlying assets. The Company initially measures financing lease receivable in the amount of net investment in the lease. Net investment in the lease is the sum of present value of unguaranteed residual value and the lease payments receivable at the commencement date of lease term, discounted at the interest rate implicit in the lease.

The Company calculates and recognizes interest income in each period during the lease term, based on a constant periodic interest rate. The derecognition and impairment losses of financing lease receivable are accounted for in accordance with the Note "III. (X) Financial instruments".

Variable lease payments not included in the measurement of the net investment in the lease are included in profit or loss in the period in which they are occurred.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Lease (Continued)

3. *After-sale and leaseback transactions*

The Company determines whether the asset transfer in the after-sale and leaseback transaction is a sale in accordance with principles described in notes “III. (XXVIII) Revenue”.

(1) As a lessee

If the asset transfer in the after-sale and leaseback transaction is a sale, the Company, as a lessee, measures the right-of-use assets formed by the after-sale and leaseback based on the part of the book value of the original assets related to the use rights obtained from the leaseback, and recognize relevant gains or losses only for the right to transfer to the lessor; if the transfer of assets in the after-sale and leaseback transaction is not a sale, the Company, as a lessee, continues to recognize the transferred assets and recognizes a financial liability equal to the transfer income. For details of accounting treatment for financial liabilities, please see Note “III. (X) Financial instruments”.

(2) As a lessor

If the transfer of assets in the after-sale and leaseback transaction is a sale, the Company, as a lessor, accounts for asset purchase, and accounts for asset lease in accordance with policies in the aforementioned “2. The Company as a lessor”; if the transfer of assets in the after-sale and leaseback transaction is not a sale, the Company, as a lessor, does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income. For details of accounting treatment for financial assets, please see Note “III. (X) Financial instruments”.

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

Accounting policies applicable prior to 1 January 2019 (Continued)

1. *Accounting treatment of operating leases (Continued)*

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 terms 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.

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) 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.

(XXXIII) 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;
- (3) is a subsidiary acquired exclusively with a view to resale.

(XXXIV) Segment reporting

The Company will determine operation segment on the basis of the internal organizational structure, management requirements and internal report system, and determine reporting segment on the basis of operation segment, and disclose such segment information.

An operating segment is a component of the Company that meets the following conditions simultaneously: (1) the component is able to generate revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly evaluated by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance; (3) for which the accounting information on financial position, operating results and cash flows is available to the Company. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

- (1) Implementation of the Notice on Amendment and Issuance of the 2019 Format of Financial Statements of General Enterprises and the Notice on the Amendment and Issuance of the Consolidated Financial Statement Format (2019 Version)

The Notice on Amendment and Issuance of the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6) and Notice on the Amendment and Issuance of the Consolidated Financial Statement Format (2019 Version) (Cai Kuai [2019] No. 6) were issued by the Ministry of Finance on 30 April 2019 and 19 September 2019, which include 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:

Contents of the changes in accounting policies and reasons therefor	Approval procedure	Name and amount of line items affected	
		Consolidated	The parent company
(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	"Bills receivable and accounts receivable" were split into "bills receivable" and "accounts receivable". The balances of "bills receivable" and "accounts receivable" at the end of last year were RMB56,270,058.70 and RMB666,021,403.75, respectively;	"Bills receivable and accounts receivable" were split into "bills receivable" and "accounts receivable". The balances of "bills receivable" and "accounts receivable" at the end of last year were RMB0.00 and RMB229,950,732.67, respectively;
		"Bills payables and accounts payables" were split into "bills payables" and "accounts payables". The balances of "bills payables" and "accounts payables" at the end of last year were RMB490,689,505.29 and RMB889,384,282.44, respectively.	"Bills payables and accounts payables" were split into "bills payables" and "accounts payables". The balances of "bills payables" and "accounts payables" at the end of last year were RMB129,294,882.95 and RMB276,976,469.74, respectively.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. Changes in significant accounting polices (Continued)

Contents of the changes in accounting policies and reasons therefor	Approval procedure	Name and amount of line items affected	
		Consolidated	The parent company
(2) Bills 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 by the Board	The balance of "receivables financing" at the end of last year was increased by RMB283,052,731.03.	The balance of "receivables financing" at the end of last year was increased by RMB57,547,158.06.
(3) Discounted interest on bills receivable measured at fair value through other comprehensive income are reclassified into "investment gains" from "finance costs" for presentation. Corresponding adjustments are made to comparative figures.	Approval by the Board	The amount of "finance costs" reclassified to investment income for the last year was RMB- 4,146,150.11.	The amount of "finance costs" reclassified to investment income for the last year was RMB- 2,813,013.64.
(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	"Gain from derecognition of financial assets at the amortized cost" for the previous period was RMB0.00.	"Gain from derecognition of financial assets at the amortized cost" for the previous period was RMB0.00.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting polices (Continued)*

- (2) 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 (“new lease standard”). The revised standards were implemented from 1 January 2019. Pursuant to the requirements of the standards, for contract existed prior to the date of initial application (i.e. 1 January 2019), the Company chooses to not reassess whether it is, or contains, a lease at date of initial application.

- The Company as the lessee

The Company has elected to recognise the cumulative effect of adopting new leases standard as an adjustment to the opening balances of retained earnings and other related items in the financial statement in the initial year of application. Comparative information has not been restated.

For operating leases existed before the date of initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate at the date of initial application. Right-of-use assets are measured at:

- the carrying value assuming the adoption of the New Standards for Leases on the date of commencement of leases (using the incremental borrowing interest rate determined by the Company on the date of initial adoption as discount rate).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting polices (Continued)*

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

- The Company as the lessee (Continued)

For operating leases existed before the date of initial application, the Company applied practical expedients on lease-by-lease basis while using the above methods:

- 1) accounted for the leases for which the lease term ends within 12 months of the date of initial application as short-term leases;
- 2) applied a single discount rate to a portfolio of leases with a similar characteristics on measuring lease liabilities;
- 3) excluded initial direct costs from measuring the right-of-use assets;
- 4) used hindsight based on facts and circumstances as at the date of initial application in determining the lease term for the Group's leases with extension and termination options;
- 5) relied on previous assessments on whether leases are onerous applying the Accounting Standards for Business Enterprises No.13 – Contingencies immediately before the date of initial adoption as an alternative to performing an asset impairment test, and adjusted right-of-use assets based on the provision for loss included in the balance sheet before the date of initial adoption;
- 6) accounted for lease modifications before the initial year of application according to the final arrangement of the change under new leases standard without retrospective adjustments.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate of the lessee at 1 January 2019 (weighted-average rate: 4.75%).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting policies (Continued)*

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

- The Company as the lessee (Continued)

The difference between the lease liabilities confirmed by the above companies on 1 January 2019 and the significant operating leases commitment disclosed in the 2018 financial statements is as follows:

Outstanding minimum lease payments of significant operating leases disclosed in the consolidated financial statements as at 31 December 2018	460,061.11
Present value discounted with the Company's incremental borrowing rate on 1 January 2019	238,526.63
Lease liabilities on 1 January 2019 under the new standard on lease	460,061.11
Difference between the above discounted present value and the lease liabilities	221,534.48

For financial leases that already existed prior to the date of first adoption, the Company measured the right-of-use assets and lease liabilities separately on the basis of the original carrying amount of the assets under financing leases and financing leases payments payable on the date of first adoption.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting policies (Continued)*

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

- The Company as a lessor

For subleases that were classified as operating leases before the date of first adoption and are ongoing at the date of first adoption, the Company reassess the subleases on the basis of the remaining contractual terms and conditions of the original lease and sublease at the date of first adoption and makes classification in accordance with the requirements of the new standard on lease. For subleases that were classified as financing leases, the Company accounts for the sublease as a new financing lease.

Except for subleases, there is no need for the Company to adjust its lease as a lessor in accordance with the new standard on lease. The Company accounts for the leases in accordance with the new standard on lease from the date of first adoption.

- The main impact of the Company's adoption of the new standard on lease on the financial statements is as follows:

Contents and reasons for changes in accounting policies	Approval Procedures	Name and amount of the item in the statements affected
As a lessee, the Company adjusted the existing financing leases before the date of first adoption	Approved by the Board	Right-of-use assets: increased RMB238,526.63 Lease liabilities: increased RMB238,526.63

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting polices (Continued)*

- (3) Implementation of “Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Financial Assets” (Revised in 2019)

On 9 May 2019, the Ministry of Finance issued the Notice on Issuing the Revised Accounting Standards for Business Enterprises No. 7 –Exchange of Non-Monetary Assets (Cai Kuai [2019] No. 8), which elaborates the scope of application with respect to the standards on exchange of non-monetary assets, standardises the timing of recognition of assets exchanged in and the timing of derecognition of assets exchanged out and stipulates the accounting treatment in case of inconsistencies between the two timing, revises the measurement basis for the occurrence of simultaneously exchanging in or exchanging out a number of assets in the exchange of non-monetary assets based on the measurement of the fair value, and adds the additional disclosure requirements regarding whether the exchange of non-monetary assets has commercial substance and its reasons.

The amended standard of Exchange of Non-monetary Financial Assets has been applied on 10 June 2019, adjustment shall be made to the exchange of non-monetary assets generated from 1 January 2019 to the date of the Standard application based on the standard and retrospective adjustment is not required for the exchange of non-monetary assets generated before 1 January 2019.

The implementation of the above standard did not have any material impact during the reporting period.

- (4) Implementation of “Accounting Standards for Business Enterprises No. 12 – Reorganization of Debt” (Revised in 2019)

On 16 May 2019, the Ministry of Finance issued the Notice on Issuing the Revised Accounting Standards for Business Enterprises No. 12 – Reorganization of Debt (Cai Kuai [2019] No.9), which revised the definition of debt restructuring, defines the scope of application of the standard and stipulates the rules applicable to the related standards for financial instruments in relation to the recognition, measurement and presentation of the financial instruments in terms of debt restructuring. In respect of the debt restructuring by way of payment with assets, make amendments to the measurement principles at the initial recognition of non-financial assets transferred to the creditor and provide that the profit or loss arising from the debt restructuring is no longer distinguished from the profit or loss arising from the assets transfer in respect of the presentation of profit or loss arising from the debt restructuring of the debtor; in respect of the debt restructuring by way of conversion of debt into equity instruments, make amendments to the measurement principles of the initial recognition of share entitlement by creditors and add guides to the measurement principles of the debtors’ initial recognition on equity instruments.

The amended standard of Reorganization of Debt has been applied on 17 June 2019, adjustment shall be made to the exchange of non-monetary assets generated from 1 January 2019 to the date of the Standard application based on the standard and retrospective adjustment is not required for the exchange of non-monetary assets generated before 1 January 2019.

The implementation of the above standard did not have any material impact during the reporting period.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. *Changes in significant account estimates*

There were no significant changes in account estimates as at the end of the reporting period.

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	56,270,058.70	56,270,058.70	
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			
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	1,830,949,355.15	1,830,949,355.15	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

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	
Productive biological assets			
Oil and gas assets			
Right-of-use assets	N/A	238,526.63	238,526.63
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	3,039,827,847.61	3,040,066,374.24	238,526.63
Total assets	4,870,777,202.76	4,871,015,729.39	238,526.63

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

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			
Contract liabilities	50,535,500.53	50,535,500.53	
Financial assets sold under repurchase agreement			
Deposits taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities	42,518,480.81	42,518,480.81	
Employee benefits payable	22,195,570.97	22,195,570.97	
Taxes payable	1,539,489,454.26	1,539,489,454.26	
Other payables			
Handling fee and commission payable	1,539,489,454.26	1,539,489,454.26	
Reinsurance accounts payable			
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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Non-current liabilities:			
Insurance deposits payables			
Long-term borrowings	595,375,744.44	595,375,744.44	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	N/A	238,526.63	238,526.63
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	
Deferred tax liabilities	664,907.28	664,907.28	
Other non-current liabilities			
Total non-current liabilities	690,409,335.13	690,647,861.76	238,526.63
Total Liabilities	4,656,994,162.96	4,657,232,689.59	238,526.63

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Equity attributable to the owners:			
Share capital	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	
Less: Treasury shares			
Other comprehensive income	-233,080,783.78	-233,080,783.78	
Special reserve			
Surplus reserve	22,477,267.06	22,477,267.06	
General risk reserve			
Undistributed profit	-2,872,034,688.32	-2,872,034,688.32	
Total equity attributable to owners of the Company	93,242,639.06	93,242,639.06	
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	4,871,015,729.39	238,526.63

Explanation for the adjustments:

“Right-of-use assets” and “lease liabilities” are the adjustments made for implementation of the new lease standards. “Right-of-use assets” and “lease liabilities” increased to RMB238,526.63 and RMB238,526.63, respectively.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

Balance Sheet of the Parent Company

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Current Assets:			
Cash at bank and on hand	55,075,379.67	55,075,379.67	
Held-for-trading financial assets	679,095.34	679,095.34	
Derivative financial assets			
Bills receivable			
Accounts receivable	229,950,732.67	229,950,732.67	
Receivables financing	57,547,158.06	57,547,158.06	
Prepayments	3,951,594.61	3,951,594.61	
Other receivables	568,736,413.32	568,736,413.32	
Inventories	44,119,128.72	44,119,128.72	
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	11,143,613.64	11,143,613.64	
Total current assets	971,203,116.03	971,203,116.03	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	1,412,221,587.90	1,412,221,587.90	
Other investments in equity instruments	250,009,608.42	250,009,608.42	
Other non-current financial assets			
Investment properties			
Fixed assets	68,768,556.33	68,768,556.33	
Construction in progress	64,564,333.42	64,564,333.42	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		N/A	
Intangible assets			
Development expenditures			
Goodwill			
Long-term deferred expenses	5,892,119.77	5,892,119.77	
Deferred tax assets			
Other non-current assets			
Total non-current assets	1,801,456,205.84	1,801,456,205.84	
Total assets	2,772,659,321.87	2,772,659,321.87	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Current liabilities:			
Short-term borrowings	249,900,000.00	249,900,000.00	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	129,294,882.95	129,294,882.95	
Accounts payables	276,976,469.74	276,976,469.74	
Receipts in advance			
Contract liabilities	2,553,448.88	2,553,448.88	
Employee benefits payable	21,573,047.43	21,573,047.43	
Taxes payable	3,104,041.48	3,104,041.48	
Other payables	1,849,643,632.41	1,849,643,632.41	
Held-for-sale liabilities			
Non-current liabilities due within one year	127,450,000.00	127,450,000.00	
Other current liabilities			
Total current liabilities	2,660,495,522.89	2,660,495,522.89	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Non-current liabilities:			
Long-term borrowings	208,450,000.00	208,450,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	N/A		
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	4,640,000.00	4,640,000.00	
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities	230,946,171.40	230,946,171.40	
Total liabilities	2,891,441,694.29	2,891,441,694.29	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)*

Item	Balance at the end of last year	Balance at the beginning of this year	Adjustments
Equity attributable to the owners:			
Share capital	2,232,349,400.00	2,232,349,400.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	930,133,288.38	930,133,288.38	
Less: Treasury shares			
Other comprehensive income	-233,368,135.71	-233,368,135.71	
Specialised reserve			
Surplus reserve	22,477,267.06	22,477,267.06	
Undistributed profit	-3,070,374,192.15	-3,070,374,192.15	
Total equity attributable to the owners	-118,782,372.42	-118,782,372.42	
Total liabilities and equity attributable to the owners	2,772,659,321.87	2,772,659,321.87	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IV. TAXATION

(I) Major tax categories and tax rates

Tax categories	Tax basis	Applicable tax rate (%)
Value-added tax	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	16%, 13%, 6%
Urban maintenance and construction tax	Based on value-added tax and consumption taxes paid	7%, 5%
Enterprise income tax	Based on taxable profits	25%, 15%
Hong Kong Profits Tax	Based on taxable profits	16.5%, 8.25%

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

Item	Closing balance (%)
IRICO Group New Energy Company Limited (the parent company)	15
Shaanxi IRICO New Material Co., Ltd.	15
IRICO (Hefei) Photovoltaic Co., Ltd.	15
Jiangsu IRICO Yongneng New Energy Company Limited	15
IRICO Group Electronics (Hong Kong) Company Limited	The applicable profit tax rate is 8.25% for profit not more than RMB2 million or 16.5% for the subsequent profits

Note 1: According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) jointly issued by the MOF, the STA and the General Administration of Customs, where general taxpayers of value-added tax make value-added tax taxable sales or import goods, the applicable tax rates shall be adjusted from 16% to 13%, respectively, from 1 April 2019.

Note 2: IRICO (Hong Kong) Company, a subsidiary, is subject to a two-tiered profits tax rates regime from 1 April 2018 based on the taxation policy of Hong Kong, the place of registration. The applicable tax rate for the profits of not more than RMB2 million is 8.25%, and subsequent profits will be taxed at 16.5%.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IV. TAXATION (Continued)

(II) Major preferential tax treatment and approvals

1. Pursuant to the “Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy” ([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》([2011]58號)), as the Company and its subsidiary Shaanxi IRICO New Materials Co., Ltd. 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.
2. IRICO (Hefei) Photovoltaic Co., Ltd.*, 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, the Department of Finance of Anhui Province, 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 first half.
3. As the income from power generation of Nanjing IRICO New Energy Co., Ltd.* and IRICO (Hefei) Photovoltaic Co., Ltd.*, 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五12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. Nanjing New Energy Co., Ltd. was in tax-free stage this year.
4. Jiangsu IRICO Yongneng New Energy Company Limited*, 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	9,631.61	96,441.84
Bank deposit	163,376,930.76	86,106,507.12
Other monetary funds	242,061,659.77	174,343,735.20
Total	405,448,222.14	260,546,684.16
Of which: Total deposits in overseas banks	18,525.63	18,120.69

Restricted Monetary funds

Item	Closing balance	Balance at the end of last year
Security deposit for bank acceptance bills	242,061,659.77	173,834,538.55
Security deposit for letter of credit		500,000.00
Frozen bank deposits		3,643,523.89
Total	242,061,659.77	177,978,062.44

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(II) Financial assets held for trading

Item	Closing balance	Balance at the end of last year
Classified as financial assets measured at fair value through profit and loss	2,863,047.11	679,095.34
Including: investment in equity instruments	493,047.11	679,095.34
CSC-China Electronics third tranches of accounts receivable assets support for planned secondary income right	2,370,000.00	
Total	2,863,047.11	679,095.34

(III) Bills receivable

1. Bills receivables by category

Item	Closing amount	Balance at the end of last year
Bank acceptance bills		
Commercial acceptance bills	1,990,378.52	56,270,058.70
Total	1,990,378.52	56,270,058.70

2. *There were no pledged bills receivables of the Company at the end of the period*
3. *There were no endorsed or discounted bills receivable of the Company that was not yet due on the balance sheet at the end of the period*
4. *There were no bills converted into accounts receivables of the Company due to the issuer's failure to perform at the end of the period*

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable

1. Accounts receivable shown by aging

Aging	Closing balance	Balance at the end of last year
Within 1 year		
Including: 0–6 months (inclusive)	329,112,337.41	565,433,028.78
7–12 months (inclusive)	91,227,636.91	80,411,320.42
Subtotal of within 1 year	420,339,974.32	645,844,349.20
1–2 years (inclusive)	39,405,327.52	15,503,186.07
2–3 years (inclusive)	8,096,050.04	20,972,753.16
Over 3 years	26,144,065.25	26,144,065.25
Subtotal	493,985,417.13	708,464,353.68
Less: provision for bad debts	44,966,218.37	42,442,949.93
Total	449,019,198.76	666,021,403.75

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

2. Accounts receivables disclosed according to provision for bad debts

Category	Closing balance					Balance at the end of last year				
	Book balance		Allowance for bad debts			Book balance		Allowance for bad debts		
	Amount	Proportion (%)	Amount	Appropriation		Amount	Proportion (%)	Amount	Appropriation	
proportion (%)				Carrying amount	proportion (%)				Carrying amount	
Allowance for bad debts is made based on individual basis	36,555,831.56	7.40	13,463,737.69	36.83	23,092,093.87	13,815,737.69	1.95	13,815,737.69	100.00	
Allowance for bad debts is made on group basis	457,429,585.57	92.60	31,502,480.68	6.89	425,927,104.89	694,648,615.99	98.05	28,627,212.24	4.12	666,021,403.75
Including: By aging	445,493,561.82	90.18	31,502,480.68	7.07	413,991,081.14	663,258,361.58	93.62	28,627,212.24	4.32	634,631,149.34
By related parties	11,936,023.75	2.42			11,936,023.75	31,390,254.41	4.43			31,390,254.41
Total	493,985,417.13	100.00	44,966,218.37		449,019,198.76	708,464,353.68	100.00	42,442,949.93	5.99	666,021,403.75

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

2. Accounts receivables disclosed according to provision for bad debts (Continued)

1) Allowance for bad debts made on individual basis

Name	Book balance	Closing balance		Reasons for making allowance
		Allowance for bad debts	Appropriation proportion (%)	
Wuxi Jianshan Photovoltaic Power Generation Co., Ltd. (巫溪縣兼善光伏發電有限公司)	20,400,591.60			Expected to be recoverable
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
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
Shenzhen Dikte Battery Science & Technology Co., Ltd. (深圳迪凱特電池科技有限公司)	2,739,320.00	2,739,320.00	100.00	Court judgment
Tibet Caibang Energy Equipment Co., Ltd. (西藏財邦能源裝備有限公司)	2,691,502.27			Expected to be recoverable
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
Total	36,555,831.56	13,463,737.69		

Note: Accounts receivable from Wuxi Jianshan Photovoltaic Power Generation Co., Ltd. and Tibet Caibang Energy Equipment Co., Ltd. have won the lawsuit. The court froze the bank deposit of RMB23 million in Wuxi Jianshan Photovoltaic Power Generation Co., Ltd. and the bank deposit of RMB4.55 million in Tibet Caibang Energy Equipment Co., Ltd., both of which are larger than the accounts receivable and are expected to be recovered in 2020.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

2. Accounts receivables disclosed according to provision for bad debts (Continued)

2) Allowance for bad debts made on group basis

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

Name	Book balance	Closing balance Allowance for bad debts	Appropriation proportion (%)
0 to 6 months (inclusive)	379,557,025.74		
7 to 12 months (inclusive)	22,577,929.47	225,779.29	1.00
1 to 2 years (inclusive)	11,477,311.13	3,443,193.32	30.00
2 to 3 years (inclusive)	8,095,574.84	4,047,787.43	50.00
Over 3 years	23,785,720.64	23,785,720.64	100.00
Total	445,493,561.82	31,502,480.68	

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

Name	Book balance	Closing balance Allowance for bad debts	Appropriation proportion (%)
By related parties	11,936,023.75		
Total	11,936,023.75		

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

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
		Provision	Recovered or reversed	
Single item of bad debt provision	13,815,737.69		352,000.00	13,463,737.69
Receivables with provision for bad debts based on credit risk characteristics	28,627,212.24	9,253,766.92	6,378,498.48	31,502,480.68
Including: by aging	28,627,212.24	9,253,766.92	6,378,498.48	31,502,480.68
by related parties				
Total	42,442,949.93	9,253,766.92	6,730,498.48	44,966,218.37

The significant situation of provision for bad debt received or reversed in current period:

Name	The amount of reversed or received	Basis of original provision of debt method and its rationality	Reasons of reversed or received	Receiving method
Xi'an Xidian High Voltage Switch Co., Ltd. (西安西電高壓開關有限責任公司)	1,735,500.00	On aging basis	Active debt settlement	Monetary payment
Suzhou Shengda Zeri Photoelectric Trading Co., Ltd (蘇州勝達澤日光電貿易有限公司)	1,605,053.66	On aging basis	Active debt settlement	Monetary payment
Shanxi Fenxi Mining (Group) Co., Ltd. (山西汾西礦業(集團)有限責任公司)	502,473.60	On aging basis	Active debt settlement	Monetary payment
Other smaller summaries	2,183,471.22	On aging basis	Active debt settlement	Monetary payment
Total	6,730,498.48			

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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 of debtor	Book balance	Percentage of total accounts receivable (%)	Allowance for bad debts
Changshu CSI Sun Power Technology Co., Ltd. (常熟阿特斯陽光電力科技有限公司)	30,793,013.96	6.23	
Jinko Solar Co., Ltd (晶科能源有限公司)	30,601,880.60	6.19	
CSI Photovoltaic Power (Luoyang) Co., Ltd (阿特斯光伏電力(洛陽)有限公司)	28,978,353.08	5.87	
Zhejiang Meidu Hitrans Lithium Battery Technology Co. Ltd (浙江美都海創鋰電科技有限公司)	28,462,880.35	5.76	
Hefei JA Solar Technology Co., Ltd. (合肥晶澳太陽能科技有限公司)	24,757,492.71	5.01	
Total	143,593,602.70	29.06	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

5. Accounts receivable derecognised by transfer of financial assets

Name of debtors	Derecognition amount	Gains and losses related to derecognition (losses are listed with "-")
Jinko Solar Co., Ltd (晶科能源有限公司)	12,586,959.58	-573,205.36
Zhejiang Meidu Hitrans Lithium Battery Technology Co. Ltd (浙江美都海創鋰電科技有限公司)	12,609,243.00	-631,080.54
Suzhou Tenghui Photovoltaic Technology Co., Ltd. (蘇州騰暉光伏技術有限公司)	10,942,874.59	-511,361.02
Dongfang Risheng New Energy Co., Ltd. (東方日升新能源股份有限公司)	9,294,251.90	-434,320.81
Changshu CSI Sun Power Technology Co., Ltd. (常熟阿特斯陽光電力科技有限公司)	9,265,915.22	-432,996.64
Dongfang Risheng (Changzhou) New Energy Co., Ltd. (東方日升(常州)新能源有限公司)	8,006,122.80	-374,126.48
Dongguan Lingte Electronics Co., Ltd. (東莞令特電子有限公司)	3,070,947.23	-153,697.97
Guangxi New Future Information Industry Co., Ltd. (廣西新未來信息產業股份有限公司)	2,754,400.00	-137,855.08
Chengdu Tieda Electronics Co., Ltd. (成都鐵達電子股份有限公司)	1,689,000.00	-84,532.83
Shenzhen Dexin Electric Co., Ltd. (深圳市德欣電器有限公司)	1,563,800.00	-78,266.69
Anhui Tianshi New Energy Technology Co., Ltd. (安徽天時新能源科技有限公司)	1,395,000.00	-69,818.41
Shenzhen Jinheneng Battery Technology Co., Ltd. (深圳市金和能電池科技有限公司)	1,258,000.00	-62,961.70

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

5. Accounts receivable derecognised by transfer of financial assets (Continued)

Name of debtors	Derecognition amount	Gains and losses related to derecognition (losses are listed with "-")
Shantou Free Trade Zone Songtian Electronic Technology Co., Ltd. (汕頭保稅區松田電子科技有限公司)	1,222,600.00	-61,189.96
Shantou Ruisheng Electronics Co., Ltd. (汕頭市瑞升電子有限公司)	1,219,900.00	-61,054.83
State Power Investment Corporation Xi'an Solar Power Co., Ltd. Xining Branch (國家電投集團西安太陽能電力有限公司西寧分公司)	1,199,763.60	-66,144.10
Lianyungang Shenzhou New Energy Co., Ltd. (連雲港神州新能源有限公司)	1,175,722.68	-64,456.59
Shanghai Leyan Trading Co., Ltd. (上海樂言貿易有限公司)	1,004,400.00	-50,269.26
Shandong Hongrong Electronics Co., Ltd. (山東鴻榮電子有限公司)	925,740.00	-46,332.40
Huizhou Haopeng Technology Co., Ltd. (惠州市豪鵬科技有限公司)	699,050.00	-34,986.78
Trina Solar (Changzhou) Technology Co., Ltd. (天合光能(常州)科技有限公司)	559,303.49	-26,136.28
Total	82,442,994.09	-3,954,793.74

Note: On 24 May 2019, the Company, Hefei Photovoltaic and IRICO New Materials respectively signed a receivables transfer agreement with China Electronics and Information Industry Group Co., Ltd. ("CEC"). Part of the receivables held were proposed to transfer to CEC.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

6. The situation of overdue accounts receivable at the end of the period

Items	Closing balance
Accounts receivable not overdue and not impaired	383,036,052.81
Accounts receivable overdue and not impaired – within 3 months	15,504,174.38
Accounts receivable overdue and not impaired – over 3 months	50,478,971.57
Total	449,019,198.76

(V) Receivables financing

1. Receivables financing

Category	Closing balance	Balance at the end of last year
Bills receivable	455,599,031.06	283,052,731.03
Accounts receivable		
Total	455,599,031.06	283,052,731.03

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(V) Receivables financing (Continued)

2. Changes in receivables financing for the period and changes in fair value

Item	Balance at the end of last year	New grants for the period	Derecognition for the period	Other changes	Closing balance	Accumulated allowance for losses recognized in other comprehensive income
Bank acceptance bills	283,052,731.03	1,531,645,577.49	1,359,099,277.46		455,599,031.06	
Commercial acceptance bills						
Total	283,052,731.03	1,531,645,577.49	1,359,099,277.46		455,599,031.06	

3. Bills receivable pledged at the end of the period

Category	Amount pledged at the end of the period
Bank acceptance bills	250,990,334.14
Commercial acceptance bills	
Total	250,990,334.14

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(V) Receivables financing (Continued)

4. *Bills receivable endorsed or discounted at the end of the period and not mature at the balance sheet date*

Category	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	650,946,514.63	
Commercial acceptance bills		
Total	650,946,514.63	

(VI) Prepayments

1. *Prepayments stated according to aging analysis*

Aging	Closing balance		Balance at the end of last year	
	Book Balance	Percentage (%)	Book Balance	Percentage (%)
Within 1 year (inclusive)	35,845,068.77	87.42	31,845,969.01	50.52
1–2 years (inclusive)	1,204,139.61	2.94	9,324,389.90	14.79
2–3 years (inclusive)	179,395.57	0.44	20,309,274.71	32.21
Over 3 years	3,770,464.62	9.20	1,566,156.23	2.48
Total	40,999,068.57	100.00	63,045,789.85	100.00

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VI) Prepayments (Continued)

2. Particulars on substantial prepayments aged more than one year

Creditor	Debtor	Closing balance	Aging	Reason for being unsettled
Shaanxi IRICO New Material Co., Ltd.	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
Total		2,619,000.00		

3. Top five accounts receivable according to closing balance of debtors

Name of debtor	Book balance	Percentage of total accounts receivable (%)	Allowance for bad debts
CNSG Anhui Hong Sifang Co., Ltd (中鹽安徽紅四方股份有限公司)	9,780,000.00	23.85	
State Grid Anhui Power Company Hefei Power Supply Company (國網安徽省電力公司合肥供電公司)	5,739,019.44	14.00	
Zhongke Tongdu Powder New Material Co., Ltd. (中科銅都粉體新材料股份有限公司)	5,606,625.10	13.68	
Dongtai Hengde Recycling Co., Ltd. (東台市恒德再生資源回收有限公司)	2,619,000.00	6.39	
Great Wall Precious Metals Co., Ltd of CBPM (中鈔長城貴金屬有限公司)	1,870,660.00	4.56	
Total	25,615,304.54	62.48	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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 receivable	142,070,012.04	249,397,827.25
Total	142,070,012.04	249,397,827.25

1. Other receivables

(1) Other receivables disclosed by aging

Aging	Closing balance	Balance at the end of last year
Within 1 year		
Including: 0–6 months (inclusive)	51,927,701.51	202,133,932.26
7–12 months (inclusive)	58,853,984.78	15,118,928.24
Subtotal of within 1 year	110,781,686.29	217,252,860.50
1–2 years (inclusive)	22,910,836.74	10,547,281.91
2–3 years (inclusive)	10,235,515.28	24,342,813.78
Over 3 years	3,089,172.92	676,972.59
Sub-total	147,017,211.23	252,819,928.78
Less: provision for bad debts	4,947,199.19	3,422,101.53
Total	142,070,012.04	249,397,827.25

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(2) Other receivables disclosed by category

Category	Book balance		Closing balance		Carrying amount		Balance at the end of last year		Carrying amount	
	Amount	Proportion (%)	Allowance for bad debts Amount	Appropriation proportion (%)	Book balance Amount	Proportion (%)	Allowance for bad debts Amount	Appropriation proportion (%)	Amount	Proportion (%)
Allowance for bad debts is made based on individual basis	261,217.37	0.18	261,217.37	100.00	261,217.37	0.10	261,217.37	100.00		
Allowance for bad debts is made on group basis	146,755,993.86	99.82	4,685,981.82	1.77	142,070,012.04	252,558,711.41	99.90	3,160,884.16	1.25	249,397,827.25
Including: By aging	13,658,648.99	9.29	4,340,610.82	13.71	9,318,038.17	18,109,117.93	7.39	2,815,513.16	15.55	15,293,604.77
By related parties	40,155,113.28	27.31			40,155,113.28	209,344,710.76	82.49			209,344,710.76
By deposits, margins and reserves	92,942,231.59	63.22	345,371.00	0.46	92,596,860.59	25,104,882.72	10.12	345,371.00	1.38	24,759,511.72
Total	147,017,211.23	100.00	4,947,199.19		142,070,012.04	252,819,928.78	100.00	3,422,101.53		249,397,827.25

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

1) Other receivables of allowance for bad debts made on individual basis

Name	Book balance	Closing amount		Reason for making allowance
		Allowance for bad debts	Appropriation proportion (%)	
Court transfer	225,026.25	225,026.25	100.00	Unlikely to be recovered
Shaanxi Tiande Air Quality Improvement Co., Ltd. (陝西天德空氣品質改善有限公司)	29,400.00	29,400.00	100.00	Unlikely to be recovered
Guangzhou Yuegang Science and Technology Instrument Co., Ltd. (廣州粵港科藝儀器有限公司)	3,388.00	3,388.00	100.00	Unlikely to be recovered
Shanghai Kechuang Chemical Co., Ltd. (上海科創化工有限公司)	2,173.12	2,173.12	100.00	Unlikely to be recovered
Liaoyang Pharmaceutical Machinery Co., Ltd. (遼陽製藥機械股份有限公司)	630.00	630.00	100.00	Unlikely to be recovered
Xi'an Jiaotong University Fluid Compression National Engineering Center Xianyang Fan Factory (西安交大流體壓縮國家工程中心咸陽風機廠)	600.00	600.00	100.00	Unlikely to be recovered
Total	261,217.37	261,217.37		

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

2) Other receivables of allowance for bad debts made on group basis

Name	Other receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
By aging	13,658,648.99	4,340,610.82	13.71
By related parties	40,155,113.28		
By deposits, margins and reserves	92,942,231.59	345,371.00	0.46
Total	146,755,993.86	4,685,981.82	

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

Name	Other receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
0-6 months (inclusive)	5,067,032.98		
7-12 months (inclusive)	12,624.44	126.24	1.00
1-2 years (inclusive)	690,731.05	207,219.31	30.00
2-3 years (inclusive)	7,509,990.52	3,754,995.26	50.00
Over 3 years	378,270.00	378,270.00	100.00
Total	13,658,648.99	4,340,610.82	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. *Other receivables (Continued)*

(2) Other receivables disclosed by category (Continued)

2) Other receivables of allowance for bad debts made on group basis (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	40,155,113.28		
Total	40,155,113.28		

Items for which allowance is made on group basis: by deposits, margins and reserves

Name	Accounts receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
By deposits, margins and reserves	92,942,231.59	345,371.00	0.37
Total	92,942,231.59	345,371.00	0.37

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(3) 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	3,160,884.16		261,217.37	3,422,101.53
Balance 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				
Provision in the period	1,530,137.88			1,530,137.88
Reversed in the period				
Charged off in the period				
Written off in the period				
Other changes	-5,040.22			-5,040.22
Closing balance	4,685,981.82		261,217.37	4,947,199.19

Note: Other changes are not include the impact of consolidation of Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹佳潤澤礦業有限公司) (“Hanzhong Jiarunze”) during the current year.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(3) Allowances for bad debts (Continued)

Change in book balance of other receivables is as follows:

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	252,558,711.41		261,217.37	252,819,928.78
Balance 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				
Addition in the period				
Written off directly in the period				
Derecognition in the period	104,292,516.15			104,292,516.15
Other changes	1,510,201.40			1,510,201.40
Closing balance	146,755,993.86		261,217.37	147,017,211.23

Note: Other changes are not include the impact of consolidation of Hanzhong Jiarunze during the current year.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(4) Allowances for bad debts made, reversed or recovered for the period

Category	Balance at the end of last year	Changes during the period		Closing balance
		Provision	Charged off or written off	
Single item of bad debt provision	261,217.37			261,217.37
Other receivables that are subject to provision for bad debts collectively on credit risk characteristics	3,160,884.16	1,525,097.66		4,685,981.82
Including: By aging	2,815,513.16	1,525,097.66		4,340,610.82
By related parties				
By deposits, margins and reserves	345,371.00			345,371.00
Total	3,422,101.53	1,525,097.66		4,947,199.19

Note: The provision of RMB1,525,097.66 for the current period includes a reduction of bad debt provision of RMB5,040.22 due to the non-inclusion of Hanzhong Jiarunze in the balance sheet.

(5) Receivables by nature

Nature	Closing balance	Balance at the end of last year
Deposits, margins and reserves	92,942,231.59	25,557,991.13
Amounts due from related	40,155,113.28	208,334,695.63
Other current amounts	13,919,886.36	18,927,242.02
Total	147,017,211.23	252,819,928.78

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(6) Top five other account receivables according to closing balance of debtors

Name of debtor	Nature of payment	Book balance	Aging	Percentage of total other receivables (%)	Allowance for bad debts
SZYDLEWSKI BETEILIGUNGSGESELLSCHAFT UG (HAFTUNGSB)	Deposit	41,281,857.68	Within 1 year	28.08	
Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹佳潤澤礦業有 限公司)	Open credit	22,421,859.36	Within 1 year	15.25	
China Electronics Commercial Financial Leasing Co., Ltd. (中電 通商融資租賃有限公司)	Margins	18,000,000.00	3 to 4 years	12.24	
Ping An International Financial Leasing Co., Ltd. (平安國際融資 租賃有限公司)	Deposits	14,500,000.00	0 to 2 years	9.86	
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融 資租賃有限公司)	Margins	9,000,000.00	1 to 2 years	6.12	
Total		105,203,717.04		71.55	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Raw materials	35,519,189.65	775,814.71	34,743,374.94	44,693,288.08	968,907.38	43,724,380.70
Goods in stock (finished goods)	89,118,151.78	1,274,060.08	87,844,091.70	75,409,383.88	1,262,752.74	74,146,631.14
Revolving materials and others	27,164,497.93	5,102,201.23	22,062,296.70	32,129,163.26	5,203,087.20	26,926,076.06
Semi-finished goods and work-in-process	7,238,186.68	58,912.50	7,179,274.18	9,690,919.83		9,690,919.83
Goods in transit	2,901,804.11		2,901,804.11	11,820,575.35		11,820,575.35
Total	161,941,830.15	7,210,988.52	154,730,841.63	173,743,330.40	7,434,747.32	166,308,583.08

2. Provision for impairment of inventories and provision for contract performance costs

Item	Balance at the end of last year	Decrease in the period		Increase in the period		Closing balance
		Accure	Others	Reversal or Write-off	Others	
Raw materials	968,907.38				193,092.67	775,814.71
Goods in stock	1,262,752.74		235,066.14	223,758.80		1,274,060.08
Work in progress			58,912.50			58,912.50
Revolving materials and others	5,203,087.20				100,885.97	5,102,201.23
Total	7,434,747.32		293,978.64	223,758.80	293,978.64	7,210,988.52

Note: The others items in the increase and decrease in the period are due to changes in categories of inventories.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	74,707,920.51	85,627,181.99
Prepaid EIT	3,140,102.54	
Deferred Expenses	681,141.18	
Total	78,529,164.23	85,627,181.99

(X) Long-term equity investments

1. Long-term equity investments classification

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Investment in subsidiaries				
Investment in joint ventures	35,479,976.50		68,292.08	35,411,684.42
Investments in associates	143,846,442.67	15,476,033.33	373,473.94	158,949,002.06
Subtotal	179,326,419.17	15,476,033.33	441,766.02	194,360,686.48
Less: provision for impairment of long-term equity investments				
Total	179,326,419.17	15,476,033.33	441,766.02	194,360,686.48

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(X) Long-term equity investments (Continued)

2. Details of long-term equity investments

Name of investee company	Investment Cost	Balance at the end of last year	Increase in investment	Decrease in investment	Increase/decrease in the period					Closing balance of impairment provision	
					Investment gain or loss recognized under equity method	Adjustment to other comprehensive income	Other equity change	Distribution of cash dividend or profit	Provision for impairment		others
Total	137,193,443.69	179,326,419.17		373,473.94	356,875.10					15,050,866.15	194,360,686.48
1. Joint Venture	36,000,000.00	35,479,976.50			-68,292.08						35,411,684.42
Shenmu Caijing Photovoltaics Power Generation Co., Ltd. (神木彩景光伏發電有限公司)	36,000,000.00	35,479,976.50			-68,292.08						35,411,684.42
2. Associate	101,193,443.69	143,846,442.67		373,473.94	425,167.18					15,050,866.15	158,949,002.06
Yangjiang IRICO Shenggao Green Energy Co., Ltd. (陽江彩虹騰高綠色能源有限公司)	980,000.00	619,694.79		373,473.94						-246,220.85	
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	3,185,000.00	3,406,774.29			-103,051.08						3,303,723.21
IRICO New Energy (Changwu) Co., Ltd. (長武彩虹新能源有限公司)	2,940,000.00	2,933,217.94			5,618.70						2,938,836.64
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	10,700,000.00	11,851,483.34			-25,625.25						11,825,858.09
Zhuhai Caizhu Co., Ltd. (珠海彩珠實業有限公司)	68,718,443.69	125,035,272.31			947,784.06						125,983,056.37
Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹佳潤澤礦業有限公司)	15,210,000.00				-399,559.25					15,297,087.00	14,897,527.75

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(X) Long-term equity investments (Continued)

2. Details of long-term equity investments (Continued)

- Note: 1. The Company disposed of Yangjiang IRICO Shenggao Green Energy Co., Ltd. (陽江彩虹勝高綠色能源有限公司) on 31 December 2019, reduced the investment of RMB373,473.94, and recognized the investment income RMB-246,220.85.
2. In October 2019, the Company transferred its 12% equity interest in Hanzhong Jiarunze to Shaanxi Jiarunze at a consideration of RMB4,706,800 and recognized an investment income of RMB10,928,200, among which, investment income of RMB2,309,200 was recognized for the disposed 12% equity interest while investment income of RMB8,619,000 was recognized for the remaining 39% equity interest through remeasurement using fair value. The basis of the transaction consideration was the appraised value arrived at by Beijing China Appraisal Associates* Assets Appraisal Co., Ltd.* (北京中天華資產評估有限公司) with 31 July 2019 as the valuation base date, the Closing Date is 31 October 2019, accordingly. The Company lost its control over Hanzhong Jiarunze on 31 October 2019 and the remaining equity interest was accounted for using equity approach.

(XI) Other investment in equity instruments

1. Details of other investment in equity instruments

Items	Closing balance	Balance at the end of last year
IRICO Display Devices Co., Ltd. (彩虹顯示器件股份有限公司)	148,577,826.60	146,101,529.49
Shaanxi Caihong Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公司)	102,767,095.46	103,908,078.93
Total	251,344,922.06	250,009,608.42

Note 1: There were 35,375,673 shares of IRICO Display Devices Co., Ltd. held at the end of the period, and the stock price was RMB4.20 per share.

Note 2: There were 7.2953% shareholding of Shaanxi Electronics Glass Co., Ltd. held at the end of the period.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XI) Other investment in equity instruments (Continued)

2. Details of investment in non-trading equity instruments

Items	Dividend income recognized in the year	Accumulated Gains	Accumulated Losses	Amount of transferred to retained earnings from other comprehensive income	Reasons for designating as financial assets at fair value through other comprehensive income	Reasons for transferring to retained earnings from other comprehensive income
IRICO Display Devices Co., Ltd. 彩虹顯示器件股份有限公司			231,883,659.72		Investment in equity instrument not held for trading purposes	
Shaanxi IRICO Electronics Glass Co., Ltd. 陝西彩虹電子玻璃有限公司			149,162.35		Investment in equity instrument not held for trading purposes	

(XII) Fixed assets

1. Fixed assets and disposal of fixed assets

Item	Closing balance	Balance at the end of last year
Fixed assets	1,622,009,349.95	1,501,971,942.72
Disposal of fixed assets	116,557.06	192,890.99
Total	1,622,125,907.01	1,502,164,833.71

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XII) Fixed assets (Continued)

2. Details of fixed assets

Item	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Office equipment	Glass base furnace	Total
1. 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	206,064,897.50	24,493,860.32	953,380.76	36,243,902.76	538,709.57	1,105,397.81	269,400,148.72
- Purchase		17,899,434.13	953,380.76	13,696,177.59	538,709.57		33,008,107.47
- Transferred from construction in progress	206,064,897.50	6,594,426.19		22,547,725.17		1,105,397.81	236,312,446.67
(3) Decrease in the period	18,746,841.80	10,989,699.00	2,321,487.00	90,500.00	182,240.00		32,330,767.80
- Disposal or scrapping	18,746,841.80	10,989,699.00	2,321,487.00	90,500.00	182,240.00		32,330,767.80
(4) Closing balance	815,642,446.66	1,112,391,701.84	16,752,326.85	540,300,009.44	18,955,135.46	411,279,004.48	2,915,320,624.73
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	20,394,171.39	50,146,089.17	1,313,447.64	18,206,743.48	1,792,501.44	28,347,837.18	120,200,790.30
- Provision	20,394,171.39	50,146,089.17	1,313,447.64	18,206,743.48	1,792,501.44	28,347,837.18	120,200,790.30
(3) Decrease in the period	3,506,950.90	1,066,000.86	1,674,076.01	17,426.18	31,327.46		6,295,781.41
- Disposal or scrapping	3,506,950.90	1,066,000.86	1,674,076.01	17,426.18	31,327.46		6,295,781.41
(4) Closing balance	125,433,283.58	238,351,515.17	9,432,929.53	101,640,516.17	11,320,725.12	104,618,999.34	590,797,968.91
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	3,126,964.80						3,126,964.80
- Provision	3,126,964.80						3,126,964.80
(3) Decrease in the period							
- Disposal or scrapping							
(4) Closing balance	3,126,964.80	289,179,084.74	3,154,148.48	233,876,874.69	1,175,360.31	172,000,872.85	702,513,305.87
4. Carrying amount							
1. Closing balance of carrying amount	687,082,198.28	584,861,101.86	4,165,248.84	204,782,618.50	6,459,050.03	134,659,132.29	1,622,009,349.95
2. Carrying amount at the end of last year	519,770,757.87	620,442,415.68	5,172,726.71	186,820,716.36	7,863,754.44	161,901,571.66	1,501,971,942.72

Note: 1. The glass base furnace of Photovoltaic Glass Factory ("Xianyang Photovoltaic"), a subsidiary of the Company, has been shut down. For details, please refer to X, (V).

2. The increase in the impairment provision of buildings and structures of the Company this year is due to the original construction in progress of Hefei Photovoltaic transferring into fixed assets in the period.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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
Machinery and equipment	127,402,232.68	18,249,720.29	99,948,222.93	9,204,289.46	
Motor vehicles	4,332,546.36	3,216,537.20	970,999.37	145,009.79	
Electronic devices	247,315,095.14	53,231,133.29	150,697,542.57	43,386,419.28	
Office equipment	4,419,267.94	3,111,329.25	1,175,360.31	132,578.38	
Glass base furnace	104,122,114.90	35,020,336.67	65,871,962.69	3,229,815.54	
Total	487,591,257.02	112,829,056.70	318,664,087.87	56,098,112.45	

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	646,845,161.12	In progress

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XII) Fixed assets (Continued)

5. Other explanation

The situation of term of fixed assets used in China mainland:

Period	Closing balance	Opening balance
Medium-term (10–50 years)	1,476,725,918.79	1,327,033,889.91
Short-term (within 10 years)	145,283,431.16	174,938,052.81

6. Disposal of fixed assets

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

(XIII) Construction in progress

1. Construction in progress and construction items

Item	Closing balance	Balance at the end of last year
Construction in progress Construction items	791,768,042.42	772,497,652.24
Total	791,768,042.42	772,497,652.24

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIII) Construction in progress (Continued)

1. Construction in progress

Item	Book balance	Closing balance Provision for impairment	Carrying amount	Balance at the end of last year		
				Book balance	Provision for impairment	Carrying amount
Yan'an solar photovoltaic glass furnace (延安太陽能光伏玻璃窯爐)	637,912,024.44		637,912,024.44	419,863,373.93		419,863,373.93
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	90,602,892.48		90,602,892.48	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)	134,304,145.72	84,426,004.20	49,878,141.52	146,068,610.32	84,426,004.20	61,642,606.12
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)	2,573,004.40		2,573,004.40	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)	3,869,149.10		3,869,149.10	1,961,353.24		1,961,353.24
Environmental protection facilities construction projects (環保設施建設項目)	504,424.79		504,424.79			
Ancillary reconstruction project for cathode materials technical update and automation (正極材料技術提升及自動化配套改造項目)	2,926,440.07		2,926,440.07			
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
Quartz sand mines integration and quartz sand plant construction project of Hanzhong Jiarunze (漢中佳潤澤整合石英砂礦及石英砂建廠項目)				14,174,125.05		14,174,125.05
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. (南京利德東方分布式光伏發電項目)				8,444,629.22		8,444,629.22
Others	544,691.66		544,691.66	2,868,839.49		2,868,839.49
Total	876,194,046.62	84,426,004.20	791,768,042.42	860,050,621.24	87,552,969.00	772,497,652.24

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIII) Construction in progress (Continued)

2. 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		Closing balance	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 rate for the period (%)	Sources of fund
				transferred in 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	218,048,650.51			637,912,024.44	85.04	85.04	22,645,147.31	17,381,605.59	7.97	Self-raised loans
Xianyang photovoltaic glass project (phase III)(咸陽光伏玻璃三期項目)	305,000,000.00	146,068,610.32			11,764,464.60	134,304,145.72	47.89	47.89	20,221,417.52			Self-raised fund
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	1,850,000,000.00	234,723,053.68	55,373,134.82	199,493,296.02		90,602,892.48	74.44	74.44	194,196,991.81	6,782,813.95	5.70	Self-raised funds and financing institution loans
Photoresist production line construction project (光阻生產線建設項目)	58,000,000.00	14,664,398.99	1,316,596.06	15,980,995.05								
Quartz sand mines integration and quartz sand plant construction project of Hanzhong Jiarunze (漢中佳潤澤整合石英砂礦及石英砂建廠項目)	28,040,000.00	14,174,125.05		988,154.96	13,185,970.09							
Roof power station project (屋頂電站工程項目)	31,190,000.00	12,303,419.55		12,303,419.55								
Total	3,022,400,800.00	841,796,981.52	274,738,381.39	228,765,865.58	24,950,434.69	862,819,062.64			237,063,556.64	24,164,419.54		

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIV) Right-of-use assets

Item	Buildings and structures	Office equipment and others	Transportation Tools	Total
1. Original carrying amount				
(1) Opening balance		121,798.46	116,728.17	238,526.63
(2) Increase for the period	17,629,108.06			17,629,108.06
– Additional lease	17,629,108.06			17,629,108.06
(3) Decrease for the period				
– Transfer to fixed assets				
– Disposal				
(4) Closing balance	17,629,108.06	121,798.46	116,728.17	17,867,634.69
2. Accumulated depreciation				
(1) Opening balance				
(2) Increase for the period	2,884,678.75	60,899.23	38,909.39	2,984,487.37
– Provision	2,884,678.75	60,899.23	38,909.39	2,984,487.37
(3) Decrease for the period				
– Transfer to fixed assets				
– Disposal				
(4) Closing balance	2,884,678.75	60,899.23	38,909.39	2,984,487.37
3. Provision for impairment				
(1) Opening balance				
(2) Increase for the period				
– Provision				
(3) Decrease for the period				
– Transfer to fixed assets				
– Disposal				
(4) Closing balance				
4. Carrying amount				
(1) Closing balance of carrying amount	14,744,429.31	60,899.23	77,818.78	14,883,147.32
(2) Opening balance of carrying amount		121,798.46	116,728.17	238,526.63

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XV) Intangible assets

1. Intangible assets

Item	Land use rights	Patents	Trademarks	Software	Non-patent technologies	Mining rights	Total
1. Original carrying amount							
(1) Balance as 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						26,600,362.50	26,600,362.50
– Disposal							
– Consolidated decrease						26,600,362.50	26,600,362.50
(4) Closing balance	276,502,034.42	1,376,000.00	45,850.00	2,377,002.03	19,582,500.00		299,883,386.45
2. Accumulated amortization							
(1) Balance as 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	5,564,111.76		4,584.96	14,867.88	158,250.00	398,898.84	6,140,713.44
– Provision	5,564,111.76		4,584.96	14,867.88	158,250.00	398,898.84	6,140,713.44
(3) Decrease for the period						10,345,121.34	10,345,121.34
– Disposal							
– Consolidated decrease						10,345,121.34	10,345,121.34
(4) Closing balance	34,122,910.42	1,376,000.00	37,825.92	2,328,681.20	19,549,166.67		57,414,584.21
3. Provision for impairment							
(1) Balance as at the end of last year							
(2) Increase for the period							
– Provision							
(3) Decrease for the period							
– Disposal							
– Consolidated decrease							
(4) Closing balance							
4. Carrying amount							
(1) Carrying amount as at the end of the period	242,379,124.00		8,024.08	48,320.83	33,333.33		242,468,802.24
(2) Carrying amount as 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

Explanation: The decrease in the mining rights for the period was due to the disposal of partial equity interests of the subsidiary Hanzhong Jiarunze by the Company on 31 October 2019, which resulted in its excluding in the influence of consolidated scope.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XV) Intangible assets (Continued)

2. *The Company did not have land use rights whose title of certificates had not been obtained*
3. *Other explanation*

All of the intangible assets of the Company were in mainland China, the useful life of which is set out below:

Item	Closing balance	Opening balance
Long term (No shorter than 50 years)	242,379,124.00	264,597,375.76
Short term (Shorter than 50 years but no shorter than 10 years)	89,678.24	267,381.08

(XVI) Development expenditures

Item	Amount increased for the current period		Amount decreased for the current period			Closing balance	capitalisation Starting time	capitalisation Specific basis	Research and development progress at the end of the period
	Balance as at the end of last year	Internal development expenditures	others	Recognised as intangible assets	Included into profit or loss for the current period				
Technological development of NCM811 ternary materials		14,864,322.83				14,864,322.83	development phase	Initiating report for technological development project of NCM811 ternary materials	90%
Technological development of low-temperature and pressure-sensitive silver paste		10,051,067.76				10,051,067.76	development phase	Initiating report for technological development project of low-temperature and pressure-sensitive silver paste	90%
Total		24,915,390.59				24,915,390.59			

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XVII) Goodwill

1. Movements in goodwill

Names of investees or items resulting in goodwill	Balance as at the end of last year	Increase for the period		Decrease for the period		Closing balance
		By business combination	Others	Disposal	Others	
Original carrying amount	41,533,010.55					41,533,010.55
Jiangsu Yongneng New Energy Limited* (江蘇永能新能源有限公司)	41,533,010.55					41,533,010.55
Subtotal	41,533,010.55					41,533,010.55
Provision for impairment	2,988,682.86		1,991,116.32			4,979,799.18
Jiangsu Yongneng New Energy Limited*	2,988,682.86		1,991,116.32			4,979,799.18
Subtotal	2,988,682.86		1,991,116.32			4,979,799.18
Carrying amounts	38,544,327.69					36,553,211.37

Note: 1. The Company acquired 30.00% equity interest in Jiangsu Yongneng at a cash consideration of RMB68,000,000 in March 2017. Together with the equity interest previously held by the Company, IRICO Yongneng was held as to 51.00% by the Company, which constitutes the business combination not under common control. RMB41,533,010.55 was recognized as goodwill.

2. As at 31 December 2019, goodwill obtained from business combination has been distributed to relevant asset group to undertake impairment testing. The recoverable amount of each asset group shall be calculated on the basis of management's business plan and adjusted discount rate. The cash flow after the forecast period shall be calculated in accordance with the steady growth rate and the final value.

Jiangsu Yongneng, a subsidiary of the Company, belongs to the photovoltaic industry. It applied a discount rate of 12.47% in 2020 and the forecast period. The growth rates ranged from 111% to 6% during the forecast period and the growth rate for the steady period was 0%.

Key assumptions were used to calculate the present value of the estimated future cash flows of Jiangsu Yongneng on 31 December 2019. Details of the key assumptions made by the management when determining the cash flow estimates for the impairment test of goodwill are as follows:

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XVII) Goodwill (Continued)

1. Movements in goodwill (Continued)

Note: (Continued) Growth rate – the determination basis was based on the average growth rate of the historical operation results and the expectation on the market development.

Discount rate – the discount rate adopted was the discount rate before tax which reflected the specific risks of the photovoltaic industry.

The amount distributed to the key assumptions of the above-mentioned asset group shall be consistent with the historical experience and the external information.

The management analyzed the recoverable amount of each asset group according to the above assumptions. The accrual goodwill impairment for the year was RMB1,991,116.32.

At present, the estimate results of cash flows have exceeded the carrying amounts of relevant asset groups or sets of asset groups, but the subsequent estimate results of cash flows may change according to the future cash flows and the assumptions.

(XVIII) Long-term deferred expenses

Item	Balance as at the end of last year	Increase for the period	Amortisation for the period	Other decreases	Closing balance
Expansion of production capacity of battery materials	1,167,180.30	109,569.00	419,395.35		857,353.95
Financial leasing service fees	18,522,119.80			18,522,119.80	
Total	19,689,300.10	109,569.00	419,395.35	18,522,119.80	857,353.95

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIX) Deferred tax assets and deferred tax liabilities

1. *Deferred tax assets which are not offset*

Item	Closing balance		Balance as at the end of last year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	10,454,803.07	1,568,220.47	5,741,299.75	861,194.97
Total	10,454,803.07	1,568,220.47	5,741,299.75	861,194.97

2. *Deferred tax liabilities which are not offset*

Item	Closing balance		Balance as 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	4,242,406.73	636,361.01	4,432,715.20	664,907.28
Total	4,242,406.73	636,361.01	4,432,715.20	664,907.28

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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 as at the end of last year
Deductible temporary differences	1,108,506,631.61	1,104,160,596.76
Deductible tax losses	1,133,372,573.33	967,432,818.95
Total	2,241,879,204.94	2,071,593,415.71

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

Year	Closing balance	Balance as at the end of last year	Notes
2019		399,386,533.99	
2020	323,481,694.98	43,788,203.01	
2021	43,788,203.01	384,122,955.80	
2022	384,122,955.80	125,017,691.51	
2023	125,017,691.51	15,117,434.64	
2024	256,962,028.03		
Total	1,133,372,573.33	967,432,818.95	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XX) Other non-current assets

Item	Closing balance		Carrying amounts	Balance at the end of last year	
	Book balance	Provision for impairment		Book balance	Provision for impairment
Prepaid taxes				11,869,754.47	11,869,754.47
Total				11,869,754.47	11,869,754.47

(XXI) Short-term borrowings

1. *Categories of short-term borrowings*

Item	Closing balance	Balance at the end of last year
Guaranteed loans	389,260,642.94	236,000,000.00
Pledged loans	147,131,587.50	130,252,466.63
Guaranteed and mortgaged loans	30,000,000.00	50,000,000.00
Mortgaged loans	18,000,000.00	18,000,000.00
Total	584,392,230.44	434,252,466.63

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXI) Short-term borrowings (Continued)

2. Details of short-term borrowings

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
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)	120,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Everbright Bank Xi'an Youyi Road Branch (光大銀行西安友誼路支行)	50,086,395.83	IRICO Group Corporation Limited* (彩虹集團有限公司)
China Guangfa Bank Hefei Feixi Branch (廣發銀行股份有限公司合肥肥西分行)	50,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
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)
Bank of Communications Xianyang Branch (交通銀行咸陽分行)	30,045,856.25	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Shanghai Pudong Development Bank Co. Ltd., Xi'an Branch (上海浦東發展銀行股份有限公司西安分行)	20,000,000.00	IRICO Group New Energy Company Limited. (彩虹集團新能源股份有限公司)
China Zheshang Bank Co., Ltd. Xianyang Branch (浙商銀行股份有限公司咸陽分行)	19,128,390.86	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	389,260,642.94	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXI) Short-term borrowings (Continued)

2. Details of short-term borrowings (Continued)

Pledged borrowings:

Lender	Borrowing balance	Pledge
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	90,131,587.50	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)	57,000,000.00	Pledge of bills
Total	147,131,587.50	

Guaranteed and mortgaged borrowings:

Lender	Borrowing balance	Collateral and guarantor
Jiangsu Zhangjiagang Rural Commercial Bank Co., Ltd (江蘇張家港農村商業銀行股份有限公司)	30,000,000.00	Pledged with fixed assets and guaranteed by IRICO Group Corporation Limited* (彩虹集團有限公司) at the same time.
Total	30,000,000.00	

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXII) Notes Payables

Category	Closing balance	Balance at the end of last year
Bank acceptance	609,456,870.22	490,689,505.29
Trade acceptance	43,500,682.49	
Total	652,957,552.71	490,689,505.29

At the end of the period, there were no notes payable due and not paid.

(XXIII) Accounts Payable

1. Accounts payable

Aging	Closing balance	Balance at the end of last year
Within 1 year (inclusive)	588,863,908.41	758,391,661.66
1 to 2 years (inclusive)	95,098,279.34	88,207,014.92
2 to 3 years (inclusive)	45,057,115.54	8,715,723.71
Over 3 years	31,356,211.23	34,069,882.15
Total	760,375,514.52	889,384,282.44

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIII) Accounts Payable (Continued)

2. Significant accounts payable aged over 1 year

Item	Closing balance	Reasons for outstanding or carried forward
Wuxi Huguang New Energy Technology Co., Ltd. (無錫市和光新能源科技有限公司)	31,669,918.20	Not settled
Nanjing Qixia District Power Equipment Installation Engineering Co., Ltd. (南京市棲霞區電力設備安裝工程有限公司)	7,766,432.72	Not settled
South Glass Technology Co., Ltd. (廣東索奧斯玻璃技術有限公司)	5,552,136.75	Not settled
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	5,492,254.41	Not settled
Qinhuangdao Qin Hai Kiln Industry Co., Ltd. (秦皇島秦海窯業有限公司)	3,390,000.00	Not settled
No.9 Metallurgical Construction Co., Ltd. (九冶建設有限公司)	3,015,923.61	Not settled
Susheng Technology (Wuxi) Co., Ltd. (蘇聖科技(無錫)有限公司)	2,820,908.00	Not settled
Shanghai Precision Dosing & Weighing System Co., Ltd. (上海普利森配料系統有限公司)	2,802,000.00	Not settled
Guodian Zhaojing Optoelectronics Technology Jiangsu Co., Ltd. (國電兆晶光電科技江蘇有限公司)	1,933,893.08	Not settled
Qingdao Yuanding Special Machinery Manufacturing Co., Ltd. (青島元鼎特種機械製造有限公司)	1,708,000.00	Not settled
Jurong Guangxuan Optoelectronics Technology Co., Ltd. (句容光軒光電科技有限公司)	1,426,200.01	Not settled
Qinhuangdao Tucheng Glass Technology Co., Ltd. (秦皇島圖成玻璃技術有限公司)	1,390,076.91	Not settled
Shanghai Mingshuo Automation Technology Co., Ltd. (上海明碩自動化科技有限公司)	1,353,333.36	Not settled
Jiangsu Jinsha Construction Group Co., Ltd. (江蘇金廈建設集團有限公司)	1,289,536.11	Not settled
IRICO Group Corporation (彩虹集團有限公司)	1,060,665.49	Not settled
China Mic5Group Corp., Ltd. (中國五冶集團有限公司)	1,056,000.00	Not settled
Xidian Baoji Electric Co., Ltd. (西電寶雞電氣有限公司)	1,021,000.00	Not settled
Total	74,748,278.65	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIII) Accounts Payable (Continued)

3. Accounts payable by nature

Item	Closing balance	Balance at the end of last year
Payables for materials	447,692,393.86	515,375,477.77
Payables for equipment	135,327,683.41	155,246,624.25
Payables for construction	115,051,988.61	158,586,578.13
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	760,375,514.52	889,384,282.44

(XXIV) Contract liabilities

1. Contract liabilities

Item	Closing balance	Balance at the end of last year
Payment for goods	45,545,512.30	50,535,500.53
Total	45,545,512.30	50,535,500.53

2. Significant change in book value during the reporting period and reasons therefore

Item	Changes	Reasons for the change
Payment for goods	-4,989,988.23	Contract liabilities at the beginning of the period recognized revenue for the current period
Total	-4,989,988.23	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXV) Employee benefits payable

1. Employee benefits payable

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
I. Short-term benefits	39,036,410.92	162,906,921.48	185,904,535.23	16,038,797.17
II. Post-employment benefits – defined contribution scheme	189,620.71	18,099,766.23	18,152,312.97	137,073.97
III. Termination benefits	3,292,449.18	11,480.00	2,496,323.01	807,606.17
IV. Other welfares due within one year				
Total	42,518,480.81	181,018,167.71	206,553,171.21	16,983,477.31

1. Short-term benefits

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	129,044,289.57	133,428,948.70	4,297,602.72
(2) Staff welfare	14,900,345.42	13,423,271.35	23,527,092.45	4,796,524.32
(3) Social insurance	52,319.14	9,632,489.06	9,575,477.91	109,330.29
Including: Medical insurance	39,945.87	8,064,473.22	7,995,088.80	109,330.29
Work-related injury insurance	9,365.60	1,008,986.92	1,018,352.52	
Maternity insurance	3,007.67	559,028.92	562,036.59	
(4) Housing provident fund	102,505.25	7,682,454.92	7,742,835.72	42,124.45
(5) Labour union expenses and employee education expenses	7,136,316.65	3,124,416.58	3,467,517.84	6,793,215.39
(6) Short-term paid absences				
(7) Short-term profit sharing plan				
(8) Other short-term benefits	8,162,662.61		8,162,662.61	
Total	39,036,410.92	162,906,921.48	185,904,535.23	16,038,797.17

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXV) Employee benefits payable (Continued)

2. Defined contribution scheme

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	157,763.20	17,466,371.79	17,516,804.57	107,330.42
Unemployment insurance	31,857.51	633,394.44	635,508.40	29,743.55
Annuity				
Total	189,620.71	18,099,766.23	18,152,312.97	137,073.97

(XXVI) Taxes payable

Tax categories	Closing balance	Balance at the end of last year
Enterprise income tax	5,052,251.01	5,462,270.27
Real estate tax	2,808,933.91	1,862,708.35
Urban maintenance and construction tax	1,744,884.82	1,825,696.96
Land use tax	1,289,540.37	912,950.53
Individual income tax	775,312.74	1,023,029.71
Environmental protection tax	446,418.60	114,745.84
Stamp duty	201,180.19	253,278.52
Water conservancy construction funds	139,451.19	265,909.24
Education surcharge	116,508.68	86,514.36
Value-added tax	4,310.68	10,318,676.57
Other		69,790.62
Total	12,578,792.19	22,195,570.97

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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		24,484,848.54
Dividends payable	19,689,811.54	21,689,811.54
Other payables	1,554,446,408.74	1,493,314,794.18
Total	1,574,136,220.28	1,539,489,454.26

1. 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		7,827,581.46
Interest payables of short-term borrowings		867,805.90
Other interests		15,789,461.18
Total		24,484,848.54

2. Dividends payable

Items	Closing balance	Balance at the end of last year
Dividend of ordinary shares	19,689,811.54	21,689,811.54
Total	19,689,811.54	21,689,811.54

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVII) Other payables (Continued)

2. Dividends payable (Continued)

Major unpaid dividends payable over 1 year:

Item	Amounts payable	Reason for unsettlement
Yongneng Photoelectricity Holding Company Limited* (永能光电控股有限公司)	11,808,897.39	Haven't been collected by the counterparties yet
Suzhou Yongjin Investment Co., Ltd.* (苏州永金投资有限公司)	4,024,947.65	Haven't been collected by the counterparties yet
Suzhou Huilian Solar Energy Technology Co., Ltd.* (苏州惠利安太阳能科技有限公司)	3,855,966.50	Haven't been collected by the counterparties yet
Total	19,689,811.54	

RMB19,689,811.54 of the unpaid dividends payable over 1 year are the dividends payable by subsidiaries to minority shareholders.

3. Other payables

(1) Payables stated by nature

Item	Closing balance	Balance at the end of last year
Amounts due to related parties	1,040,828,059.01	1,012,668,566.67
Loans from non-financial institutions and interest thereon	331,092,733.34	431,092,733.24
Other current account	162,781,863.21	35,513,606.11
Amounts due to employees	5,419,175.67	4,126,527.51
Retention money and deposits	5,080,209.77	9,913,360.65
Total	1,554,446,408.74	1,493,314,794.18

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVII) Other payables (Continued)

3. 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)	300,000,000.00	The contract has not expired
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	99,927,674.25	Haven't been collected by the related parties yet
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	42,652,778.11	Haven't been collected by the related parties yet
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	10,406,022.65	Haven't been collected by the related parties yet
Total	452,986,475.01	

(XXVIII) Non-current liabilities due within one year

Items	Closing balance	Balance at the end of last year
Long-term loans due within one year	141,104,396.72	495,437,200.00
Long-term payables due within one year	394,217,469.08	
Other long-term liabilities due within one year	4,639,378.38	2,082,366.90
Less: Amortized sale-and-lease back service payments due within one year	6,927,600.00	
Total	533,033,644.18	497,519,566.90

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVIII) Non-current liabilities due within one year (Continued)

Explanations on long-term loans due within one year:

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
Hefei Science & Technology Rural Commercial Bank Co., Ltd. Xinzhan Branch (合肥科技農村商業銀行股份有限公司新站支行)	78,493,650.00	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)
Bank of Xi'an Xianyang Branch Co., Ltd. Xianyang Branch (西安銀行股份有限公司咸陽分行)	48,090,571.72	IRICO Group Corporation (彩虹集團有限公司)
China Bohai Bank Co., Ltd. Nanjing Branch (渤海銀行股份有限公司南京分行)	10,000,000.00	IRICO Group Corporation (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)
Chang'an Bank Limited Xianyang Caihong Branch (長安銀行股份有限公司咸陽彩虹支行)	2,120,175.00	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)
Total	138,704,396.72	

The remaining RMB2.40 million long-term loans due within one year are credit loans.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVIII) Non-current liabilities due within one year (Continued)

Explanations on long-term payables due within one year:

Lender	Borrowing balance	Collateral/guarantor
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	115,300,000.00	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)	104,614,998.92	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)	76,500,000.00	Construction in progress/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), 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)	65,865,022.24	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)
Beijing International Financial Leasing Co., Ltd. (北京國際融資租賃股份有限公司)	31,937,447.92	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)
Total	394,217,469.08	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIX) Other current liabilities

Item	Closing balance	Balance at the end of last year
Output tax	6,675,591.27	
Total	6,675,591.27	

(XXX) Long-term borrowings

Items	Closing balance	Balance at the end of last year
Guaranteed loans	130,021,800.00	199,485,600.00
Credit loans	2,300,000.00	4,700,000.00
Mortgaged loans and guaranteed loans		391,190,144.44
Total	132,321,800.00	595,375,744.44

Explanations on classification of long-term borrowings:

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
Chang'an Bank Limited Xianyang Caihong Branch (長安銀行股份有限公司咸陽彩虹支行)	67,000,000.00	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 Branch (合肥科技農村商業銀行股份有限公司新站支行)	37,021,800.00	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)
China Bohai Bank Co., Ltd. Nanjing Branch (渤海銀行股份有限公司南京分行)	26,000,000.00	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)
Total	130,021,800.00	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXI) Lease liabilities

Item	Closing balance	Opening balance
Lease payments	17,161,453.69	460,061.11
Less: Unrecognized financing expenses	6,499,946.78	221,534.48
Total	10,661,506.91	238,526.63

(XXXII) Long-term payables

Items	Closing balance	Balance at the end of last year
Long-term payables	213,076,889.47	
Special payables		7,000,000.00
Total	213,076,889.47	7,000,000.00

1. Long-term payables

The top 5 items with the largest closing balance:

Item	Closing balance	Balance at the end of last year
Rental for sale and leaseback	221,201,980.67	
Unrecognized financing expenses	-8,125,091.20	
Total	213,076,889.47	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXII) Long-term payables (Continued)

1. Long-term payables (Continued)

Explanation on long-term payables:

Lender	Borrowing balance	Collateral/guarantor
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	59,651,980.67	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)	50,000,000.00	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)
China Electronics Commercial Financial Leasing Co., Ltd (中電通商融資租賃有限公司)	45,150,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有限公司)
Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司)	43,400,000.00	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)	23,000,000.00	Fixed assets/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), Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)
Total	221,201,980.67	

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		

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXIII) Long-term employee benefits payable

Item	Closing balance	Balance at the end of last year
I. Post-employment benefits- Defined net liabilities of benefit scheme		
II. Termination benefits	9,537,743.87	10,856,171.40
III. Other Long-term benefits		
Total	9,537,743.87	10,856,171.40

(XXXIV) Deferred income

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance	Source
Government grants	76,512,512.01	2,782,366.90	9,184,081.10	70,110,797.81	
Total	76,512,512.01	2,782,366.90	9,184,081.10	70,110,797.81	

Projects involving government grants:

Item	Balance at the end of last year	New grants during the period	Amount included in profit or loss during the period	Returned amount for the period	Other changes	Closing balance	Reasons for return	Related to assets/related to income
Local incentives fund	64,017,712.56	1,550,697.84	1,550,697.84			64,017,712.56		Related to assets
Special government grants	6,954,799.45	1,031,669.06	6,533,383.26			1,453,085.25		Related to assets
Special project on solar photovoltaic and semiconductor lighting development in Shaanxi Province	4,640,000.00	200,000.00	200,000.00			4,640,000.00		Related to assets
Other	900,000.00				-900,000.00			Related to assets
Total	76,512,512.01	2,782,366.90	8,284,081.10		-900,000.00	70,110,797.81		

Note: Other changes of the deferred income is resulted from the exclusion of Hanzhong Jiarunze into the consolidated scope for the year.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXV) Share capital

Item	Balance at the end of last year	Issue of new shares	Increase(+)/decrease (-) for the period			Shares Subtotal	Closing balance
			Bonus issue	transferred from reserve	Others		
Total shares	2,232,349,400.00					2,232,349,400.00	

(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	384,072,654.53			384,072,654.53
Total	943,531,444.10			943,531,444.10

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXVII) Other comprehensive income

Item	Balance at the end of last year	Amount before 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		Less: Income tax	Attributable to the Company after tax	Attributable to minority interests after tax	Closing balance
				Less: Amount transferred to retained earnings for the period for those previously included in other comprehensive income	Less: Amount transferred to retained earnings for the period for those previously included in other comprehensive income				
I. Other comprehensive income that will not be reclassified to profit or loss	-233,368,135.71	1,335,313.64				1,335,313.64			-232,032,822.07
Including: Changes in fair value of investments in other equity instruments	-233,368,135.71	1,335,313.64				1,335,313.64			-232,032,822.07
II. Other comprehensive income that will be reclassified to profit or loss	287,351.93	263,471.56				263,471.56			550,823.49
Including: Exchange differences from translation of foreign currency financial statements	287,351.93	263,471.56				263,471.56			550,823.49
Total other comprehensive income	-233,080,783.78	1,598,785.20				1,598,785.20			-231,481,998.58

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXVIII) Surplus reserve

Item	Balance at the end of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	22,477,267.06			22,477,267.06
Total	22,477,267.06			22,477,267.06

(XXXIX) Undistributed profits

Item	Amount for the 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	93,141,994.89	81,297,979.57
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		
Undistributed profits at end of period	-2,778,892,693.43	-2,872,034,688.32

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XL) Operating revenue and operating costs

1. *Operating revenue and operating costs*

Item	Amounts for the period		Amounts for the previous period	
	Revenue	Costs	Revenue	Costs
Main businesses	2,196,870,161.45	1,931,490,081.62	2,290,735,883.61	2,066,000,737.81
Other businesses	48,242,629.09	34,956,647.07	41,183,173.18	23,012,463.59
Total	2,245,112,790.54	1,966,446,728.69	2,331,919,056.79	2,089,013,201.40

Details of operating revenue:

Item	Amount for the period	Amount for the previous year
Sub-total of revenue from principal businesses	2,196,870,161.45	2,290,735,883.61
Photovoltaic glass	1,300,346,547.60	844,775,053.66
New materials	603,399,924.54	452,088,053.33
Solar cells and components	265,914,030.53	870,790,810.56
Revenue from power generation	27,209,658.78	14,218,567.32
Trading and others		108,863,398.74
Sub-total of revenue from other businesses	48,242,629.09	41,183,173.18
Sales of materials	23,919,681.17	11,544,612.28
Premises leasing	10,340,393.74	5,764,439.18
Sales of scraps	2,082,160.92	7,303,467.41
Others	11,900,393.26	16,570,654.31
Total	2,245,112,790.54	2,331,919,056.79

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XL) Operating revenue and operating costs (Continued)

2. Revenue from contract

Revenue by segment reporting	Solar photovoltaic and module business	New materials business	Others	Intersegment eliminations	Total
Principal operating revenue	1,593,470,236.91	603,399,924.54		2,196,870,161.45	
Other operating revenue			48,242,629.09		48,242,629.09
Total	1,593,470,236.91	603,399,924.54	48,242,629.09	2,245,112,790.54	

3. Revenue from Geographical information

	2019	2018
The PRC (excluding Hong Kong)	2,015,535,538.08	1,990,518,019.73
Hong Kong		
Other countries	181,334,623.37	300,217,863.88
Total	2,196,870,161.45	2,290,735,883.61

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XL) Operating revenue and operating costs (Continued)

4. Information about major customers

In 2019, the Group has no customer (2018: one) which individually represented over 10% of the Group's total external sales.

The external sales to the major customers during the years are as follows:

	2018
Customer A	303,438,979.06
Total	303,438,979.06

The revenue for 2018 was from the products of new materials business.

5. Performance obligation

When the Company has implemented the performance obligation in the contract, namely, when the customer obtains the right to control relevant assets (goods or services), revenues will be recognized. Whether performance obligations satisfied over time or at a point in time is based on the terms of contracts and related law regulations. The Company satisfies a performance obligation over time, if one of the following criteria is met:

1. the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs.
2. the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
3. the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If the performance obligations satisfied over time, the Company will recognise revenue via contract performance schedule, otherwise the Company shall recognise revenue at a point in time when customer obtains control of relevant asset. Performance schedule is based on the value of the goods that have been transferred to the customer to determine the contract performance schedule.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLI) Taxes and surcharges

Item	Amount for the period	Amount for the previous period
Real estate tax	6,058,257.91	4,437,118.48
Land use tax	1,992,646.04	361,966.56
Stamp duty	1,200,452.40	1,224,091.82
Water conservancy construction funds	1,133,236.93	941,982.01
Urban maintenance and construction tax	400,253.83	1,492,250.02
Education surcharge	387,418.44	934,671.74
Others	723,480.00	516,724.44
Total	11,895,745.55	9,908,805.07

(XLII) Selling expenses

Item	Amount for the period	Amount for the previous period
Transportation expenses	57,744,920.34	44,740,979.66
Payroll	4,886,636.97	5,243,901.76
Commission fees	2,616,093.68	3,446,478.37
Traveling expenses	1,748,666.00	1,929,999.32
Advertising and promotion expenses	606,388.35	1,052,801.27
Entertainment expenses	513,983.87	528,174.24
Consultancy expenses	417,943.37	1,691,350.74
Others	1,199,818.56	3,716,613.92
Total	69,734,451.14	62,350,299.28

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLIII) Administrative expenses

Item	Amount for the period	Amount for the previous period
Loss on shutdown	27,869,002.47	12,773,150.65
Payroll	29,429,043.56	41,094,309.57
Depreciation and amortisation	23,662,834.20	17,763,373.96
Repair maintenance expenses	23,242,582.67	25,425,514.61
Agency expenses	6,314,052.26	1,592,151.94
Audit fees	2,660,377.36	2,660,377.36
Traveling expenses	1,731,897.07	2,390,462.54
Consultancy expenses	608,886.49	2,072,664.66
Entertainment expenses	566,737.59	856,646.51
Insurance	393,757.31	2,196,000.19
Office expenses	1,152,270.40	1,231,304.24
Others	10,847,113.06	10,911,372.28
Total	128,478,554.44	120,967,328.51

(XLIV) Research and development expenses

Item	Amount for the period	Amount for the previous period
Materials costs	23,779,092.79	22,151,930.25
Employee benefits	13,453,868.55	13,275,816.20
Power expenses	11,801,187.36	6,039,280.76
Depreciation	326,450.58	340,467.08
Certification fees		1,364,733.27
Others	1,099,480.10	509,592.26
Total	50,460,079.38	43,681,819.82

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLV) Finance costs

Category	Amount for the period	Amount for the previous period
Interest expenses	109,203,148.48	85,654,817.90
Including: Interest expenses on lease, net	848,791.05	
Less: Interest income	10,864,454.05	4,307,646.28
Exchange losses, net	-522,593.72	-1,943,387.73
Procedures expenses and others	8,861,388.26	7,724,956.31
Total	106,677,488.97	87,128,740.20

(XLVI) Other incomes

Item	Amount for the period	Amount for the previous period
Suspension of production subsidies for Xianyang Photovoltaic	106,943,233.00	
Government grants	64,953,208.93	44,164,887.91
Total	171,896,441.93	44,164,887.91

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLVI) Other incomes (Continued)

Government grants included in other incomes:

Item	Amount for the period	Amount for the previous period	Related to assets/ Related to income
Subsidies allocated by IRICO Group to special hardship enterprises	20,307,040.00		Related to income
Green Manufacturing System Integration Project sponsored by the Economic and Information Bureau of Hefei City in 2016	8,775,000.00		Related to income
Project subsidies on projection tubes and projection components	7,000,000.00		Related to income
Cash out of equipment financing lease business carried out by manufacturing companies	5,000,000.00		Related to income
Cash out of subsidy policy for photovoltaic power station sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in 2018	3,133,447.50		Related to 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	2,430,000.00		Related to assets
Research and development and industrialization of phosphor powder for high-performance PDP	2,001,277.88	2,001,277.88	Related to assets
Rewards and subsidies on supporting water-saving projects in industrial enterprises from Hefei Economic and Information Bureau in 2018	1,883,600.00		Related to income
Financial incentive fund project from the Economic and Trade Development Bureau of Xinzhan District of Hefei	1,769,745.00	1,769,745.00	Related to income
Incentive funds from the People's Government of Hefei	1,550,697.84	1,550,697.84	Related to assets
Subsidies on distributed power generation from the People's Government of Hefei	1,200,000.00		Related to income
Application of product incentive for key new materials basis on its batch in 2019	1,000,000.00		Related to income
Infrastructure subsidies projects of Zhangjiagang City Development Zone		26,127,225.00	Related to income
Project of Policy on Supporting and helping Industrial Development of Hefei City in 2018		5,195,400.00	Related to income
Supporting subsidy items on investment projects within the central budget		1,350,000.00	Related to income
Other small grants	8,902,400.71	6,170,542.19	Related to income
Total	64,953,208.93	44,164,887.91	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLVII) Investment gains

Item	Amount for the period	Amount for the previous period
Long-term equity investment gains measured under equity method	356,875.10	-1,544,793.72
Investment gains from disposal of long-term equity investment	2,062,951.51	73,518,487.64
Gains from remeasurement of the remaining equity at fair value after the loss of control	8,619,007.14	70,635,409.69
Investment income from disposal of financial assets at fair value through profit and loss of the period	713,165.07	772,870.27
Bills discounted interest of receivables financing	-8,988,122.44	-4,146,105.11
Total	2,763,876.38	139,235,868.77

There are no material restrictions on the repatriation of the Company's investment income.

(XLVIII) Gains from changes in fair value

The source of gains from changes in fair value	Amount for the period	Amount for the previous period
Held-for-trading financial assets	-5,294.81	-102,782.68
Including: Financial assets at fair value through profit and loss of the period	-5,294.81	-102,782.68
Total	-5,294.81	-102,782.68

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLIX) Credit impairment losses

Item	Amount for the period	Amount for the previous period
Losses on bad debts of account receivables	2,523,268.44	10,191,088.51
Losses on bad debts of other receivables	1,530,137.88	1,813,363.97
Total	4,053,406.32	12,004,452.48

(L) Asset impairment losses

Item	Amount for the period	Amount for the previous period
Losses on decline in the value of inventory		2,072,931.71
Goodwill impairment losses	1,991,116.32	2,988,682.86
Total	1,991,116.32	5,061,614.57

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LI) Gains from disposal of assets

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains from disposal of fixed assets	146,297.50		146,297.50
Gains or losses from disposal of assets not classified as held for sale		55,533.98	
Total	146,297.50	55,533.98	146,297.50

(LII) Non-operating income

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Government grants not related to daily activities of the enterprise	20,000.00		20,000.00
Forfeiture and penalty income	9,448.20		9,448.20
Insurance compensation	3,874,325.65	2,200,000.00	3,874,325.65
Others		30,423.35	
Total	3,903,773.85	2,230,423.35	3,903,773.85

Details of government grants included in gains from non-operating activities:

Item	Amount for the period	Amount for the previous period	Related to assets/related to income
Start-up fund of Intellectual Property Administration of Shaanxi Province to implement benchmark	20,000.00		Related to income
Total	20,000.00		

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LIII) Non-operating expenses

Item	Amount for the 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
Forfeiture penalty expenses	82.79		82.79
Others	7,848,790.80	428,952.38	7,848,790.80
Total	7,925,207.52	428,952.38	7,925,207.52

Remark: Among other matters, RMB7.8 million was mainly the liquidated damages due to the termination of project contract resulting from that Green Energy, a subsidiary of the Company, and Risen Energy Co., Ltd. failed to complete the qualification certificate for Shenmu Caijing Photovoltaics Power Station Project.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LIV) Income tax expenses

1. Table of income tax expenses

Item	Amount for the period	Amount for the previous period
Income tax expenses for the current period	2,805,562.17	338,286.37
Adjustment of deferred income tax	-735,571.77	-166,792.41
Others		
Total	2,069,990.40	171,493.96

2. Adjustment of accounting profit and income tax expenses

Item	Amount for the period
Total profit	76,155,107.06
Income tax expenses calculated based on the well-posed/ applicable tax rate	11,423,266.06
Impact of different applicable tax rates to subsidiaries	544,849.20
Impact of income tax for the period before adjustment	
Impact of non-taxable income	-10,516,619.67
Impact of cost, expenses and losses not deductible for tax	-536,933.73
Impact of deductible loss of deferred income tax assets not recognized at the beginning of the period	
Impact of deductible temporary differences and deductible loss of deferred income tax assets not recognized for the period	1,155,428.54
Others	
Income tax expenses	2,069,990.40

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LV) Earnings per share

1. Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to holders of ordinary shares of the Company by weighted average number of ordinary shares in issue of the Company.

Item	Amount for period	Amount for the previous period
Consolidated net profit attributable to holders of ordinary shares of the Company	93,141,994.89	81,297,979.57
Weighted average number of ordinary shares in issue of the Company	2,232,349,400.00	2,232,349,400.00
Basic earnings per share (RMB/share)	0.0417	0.0364
Including: Basic earnings per share relating to continuing operations	0.0417	-0.0253
Basic earnings per share relating to discontinued operations		0.0617

The weighted average of ordinary shares is calculated as follows:

Item	Amount for period	Amount for the previous period
Number of ordinary shares in issue at the beginning of year	2,232,349,400.00	2,232,349,400.00
Add: Weighted average number of ordinary shares issued during the period		
Less: Weighted average number of ordinary shares repurchased during the period		
Number of ordinary shares in issue at the end of year	2,232,349,400.00	2,232,349,400.00

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LV) Earnings per share (Continued)

2. Diluted earnings per share

Diluted earnings per share is calculated by adjusted consolidated net profit attributable to holders of ordinary shares of the Company by the adjusted weighted average number of ordinary shares in issue of the Company.

Item	Amount for period	Amount for the previous period
Consolidated net profit attributable to holders of ordinary shares of the Company (diluted)	93,141,994.89	81,297,979.57
Weighted average number of ordinary shares in issue of the Company (diluted)	2,232,349,400.00	2,232,349,400.00
Diluted earnings per share (RMB/share)	0.0417	0.0364
Including: Basic diluted earnings per share relating to continuing operations	0.0417	-0.0253
Basic diluted earnings per share relating to discontinued operations		0.0617

Weighted average number (diluted) of ordinary shares is calculated as follows:

Item	Amount for period	Amount for the previous period
Weighted average number of ordinary shares in issue at the end of year when the basic earnings per share is calculated	2,232,349,400.00	2,232,349,400.00
Effects of convertible bonds		
Effects of share options		
Weighted average number (diluted) of ordinary shares at the end of the year	2,232,349,400.00	2,232,349,400.00

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVI) Supplementary information of income statement-classification of expenses by nature

Operating costs, selling expenses, administrative expenses, research and development expenses and finance costs in income statement classified by nature were set out as follows:

Item	Amount for the period	Amount for the previous period
Expenses of material, fuel and labor, etc.	1,966,446,728.69	2,089,013,201.40
Finance expenses	106,677,488.97	87,128,740.20
Transportation expenses	57,744,920.34	44,740,979.66
Payroll	47,769,549.08	59,614,027.53
Loss on shutdown	27,869,002.47	12,773,150.65
Materials costs	23,779,092.79	28,191,211.01
Depreciation and amortisation	23,989,284.78	18,103,841.04
Repair maintenance expenses	23,242,582.67	25,425,514.61
Power expenses	11,801,187.36	6,039,280.76
Agency expenses	8,974,429.62	4,412,151.94
Others	23,503,035.85	27,699,290.41
Total	2,321,797,302.62	2,403,141,389.21

(LVII) Items of statement of cash flows

1. Cash received relating to other operating activities

Item	Amount for the period	Amount for the previous period
Interest income received	10,864,454.05	4,307,646.28
Recovery of accounts receivable, deposits and others	681,523,979.76	486,485,597.76
Government subsidies received	37,646,168.93	35,437,845.49
Total	730,034,602.74	526,231,089.53

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVII) Items of statement of cash flows (Continued)

2. *Cash paid relating to other operating activities*

Item	Amount for the period	Amount for the previous period
Transportation costs	45,726,089.76	42,914,006.27
Agency fees	2,940,000.00	4,411,085.14
Traveling expenses	2,161,657.62	4,474,837.09
Commission and handling charges	1,051,446.22	3,565,008.67
Office expenses	874,653.08	1,289,380.29
Rental and property management fee	840,433.12	1,934,849.91
Advertisement fees	636,331.70	1,052,801.27
Insurance	410,929.82	2,799,646.02
Others	23,917,153.02	23,972,228.38
Payment of accounts payable, deposits and others	587,774,950.31	668,180,090.60
Total	666,333,644.65	754,593,933.64

3. *Cash received relating to other investing activities*

Item	Amount for the period	Amount for the previous period
Principal of wealth management products	1,334,699.71	
Total	1,334,699.71	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVII) Items of statement of cash flows (Continued)

4. *Cash paid relating to other investing activities*

Item	Amount for the period	Amount for the previous period
Payment for purchase of shares	3,277,030.71	
Total	3,277,030.71	

5. *Cash received relating to other financing activities*

Item	Amount for the period	Amount for the previous period
Borrowing received from IRICO Group and Xianyang Zhongdian IRICO Group Holdings Ltd.*	907,544,674.65	
Total	907,544,674.65	

6. *Cash paid relating to other financing activities*

Item	Amount for the period	Amount for the previous period
Handling charges for borrowing and deposits	841,412,206.78	38,399,400.00
Payment of lease liabilities and interest	848,791.05	
Interest of bill discount	8,988,122.44	
Total	851,249,120.27	38,399,400.00

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVIII) Consolidated statement of cash flows

1. *Information on reconciliation of net profit as cash flows from operating activities*

Supplementary information	Amount for the period	Amount for the previous period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	74,085,116.66	86,786,280.45
Add: Provision for impairment of assets	1,991,116.32	5,061,614.57
Credit impairment losses	4,053,406.32	12,004,452.48
Depreciation of fixed assets and right-of-use assets	123,185,277.67	76,826,333.15
Amortisation of intangible assets	6,140,713.44	8,515,363.91
Amortisation of long-term prepaid expenses	419,395.35	5,477,511.94
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	-146,297.50	-55,533.98
Loss on retirement of fixed assets ("-" denotes gain)	76,333.93	
Loss on changes in fair value ("-" denotes gain)	5,294.81	102,782.68
Finance expenses ("-" denotes gain)	109,203,148.48	85,654,817.90
Investment loss ("-" denotes gain)	-2,763,876.38	-139,235,868.77
Decrease in deferred income tax assets ("-" denotes increase)	-707,025.50	-272,419.50
Increase in deferred income tax liabilities ("-" denotes decrease)	-28,546.27	105,627.09
Decrease in inventories ("-" denotes increase)	11,577,741.45	25,698,910.79
Decrease in operating receivables ("-" denotes increase)	-160,161,145.34	-124,321,838.11
Increase in operating payables ("-" denotes decrease)	261,460,645.94	-275,100,004.44
Others		
Net cash flows from operating activities	428,391,299.38	-232,751,969.84

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVIII) Consolidated statement of cash flows (Continued)

1. *Information on reconciliation of net profit as cash flows from operating activities: (Continued)*

Supplementary information	Amount for the period	Amount for the previous period
2. Major investing and financing activities not involving cash settlements:		
Conversion of debts to capital		
Convertible corporate bonds mature within one year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	163,386,562.37	128,620,277.04
Less: Cash balance at the beginning of the year	128,620,277.04	233,413,663.85
Add: Closing balance of cash equivalents		
Less: Cash equivalents balance at the beginning of the year		
Net increase in cash and cash equivalents	34,766,285.33	-104,793,386.81

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVIII) Consolidated statement of cash flows (Continued)

2. *Net cash obtained and received from disposal of subsidiaries in the year*

Item	Amount
I. Cash and cash equivalents received from disposal of subsidiaries in the period	4,706,800.00
Less: Cash and cash equivalents held by subsidiaries on the date of loss of control	1,502,762.90
Add: Cash and cash equivalents received in the period from disposal of subsidiaries in the previous period	
Net cash received from disposal of subsidiaries	3,204,037.10

3. *Composition of Cash and cash equivalents*

Item	Closing balance	Balance at the end of last year
I. Cash	163,386,562.37	128,620,277.04
Including: Cash on hand	9,631.61	96,441.84
Bank deposits readily available for payment	163,376,930.76	82,462,983.23
Other monetary funds readily available for payment		46,060,851.97
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	163,386,562.37	128,620,277.04
Including: Restricted cash and cash equivalents of the Company or subsidiaries within the Group	242,061,659.77	131,926,407.12

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LIX) Assets with restricted ownerships or right to use

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	242,061,659.77	Bills deposits
Receivables financing	250,990,334.14	Pledge of bills
Other equity instruments	148,577,826.60	Equity pledged borrowings
Fixed assets	730,980,054.74	Mortgage loan
Construction in progress	166,715,898.90	Mortgage loan
Total	1,539,325,774.15	

(LX) Foreign currency items

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			20,285,105.09
Including: USD	1,052,587.82	6.9762	7,343,063.15
EUR	1,643,619.54	7.8155	12,845,708.51
HKD	107,541.39	0.89578	96,333.43
Accounts receivable			15,822,493.69
Including: USD	204,125.22	6.9762	1,424,018.36
EUR	1,842,297.40	7.8155	14,398,475.33
Other receivable			41,281,857.68
Including: EUR	5,282,049.48	7.8155	41,281,857.68

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LXI) Government grants

1. Asset-related government grants

Type	Amount	Items included in balance sheet	Amount recorded in current profit or loss or offsetting relevant costs or losses		Items recorded in current profit or loss or offsetting relevant costs or losses
			Amount for the period	Amount for the previous period	
Local government incentives	64,017,712.56	Deferred income	1,550,697.84	1,550,697.84	Other income
Special project on solar photovoltaic and semiconductor lighting development in Shaanxi Province	4,640,000.00	Deferred income	200,000.00	200,000.00	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	380,000.00	Deferred income	2,430,000.00		Other income
Technological research and development and industrialization of high nickel ternary material NCM811	300,000.00	Deferred income	400,000.00		Other income
Project on anode materials for high-end power ternary cells	300,000.00	Deferred income	1,520,000.00		Other income
Research and development and industrialization of phosphor powder for high performance PDP	408,467.20	Deferred income	2,001,277.88	2,001,277.88	Other income
Research and development and industrialization of LED devices with high photosynthetic efficiency and colour rendering and low colour temperature and power	51,904.63	Deferred income	33,505.32	33,505.32	Other income
Research and development and industrialization of phosphor powder for LCD backlight CCFLs	12,713.42	Deferred income	148,600.06		Other income
Total	70,110,797.81		8,284,081.10	3,785,481.04	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LXI) Government grants (Continued)

2. Income-related government grants

Type	Amount	Amount recorded in current profit or loss or offsetting relevant costs or losses	Amount for the period	Amount for the previous period	Items recorded in current profit or loss or offsetting relevant costs or losses
Subsidies allocated by the Group to special hardship enterprises	20,307,040.00	20,307,040.00			Other income
Green Manufacturing System Integration Project sponsored by the Economic and Information Bureau of Hefei City in 2016	8,775,000.00	8,775,000.00			Other income
Project subsidies on projection tubes and projection components	7,000,000.00	7,000,000.00			Other income
Cash out of equipment financing lease business carried out by manufacturing companies	5,000,000.00	5,000,000.00			Other income
Cash out of Kilowatt subsidy policy for photovoltaic power station sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in 2018	3,133,447.50	3,133,447.50			Other income
Rewards and subsidies on supporting water-saving projects in industrial enterprises from Hefei Economic and Information Bureau in 2018	1,883,600.00	1,883,600.00			Other income
Financial incentive fund project from the Economic and Trade Development Bureau of Xinzhan District of Hefei	1,769,745.00	1,769,745.00	1,769,745.00		Other income
Subsidy for stabilizing employment	1,370,928.00	1,370,928.00	4,236,625.47		Other income
Subsidies on distributed power generation from the People's Government of Hefei	1,200,000.00	1,200,000.00			Other income
Application of product incentive for key new materials basis on its batch in 2019	1,000,000.00	1,000,000.00			Other income

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LXI) Government grants (Continued)

2. Income-related government grants (Continued)

Type	Amount	Amount recorded in current profit or loss or offsetting relevant costs or losses		Items recorded in current profit or loss or offsetting relevant costs or losses
		Amount for the period	Amount for the previous period	
Little giant in the project of Borrowing, Transfer and Supplement of Xinzhan District Science and Technology Bureau of Hefei in 2019	800,000.00	800,000.00		Other income
Subsidy funds for industrial development policy projects from the Economic and Trade Development Bureau of Xinzhan district of Hefei in the First Half of 2019	784,200.00	784,200.00		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
Policy funds for a province strong in manufacturing, and the award and subsidy of provincial enterprise technology center	500,000.00	500,000.00		Other income
The first batch of subsidy policy funds for photovoltaic power from the Economic and Trade Development Bureau of Xinzhan District in 2017	437,017.55	437,017.55		Other income
Points management funds of enterprise technology innovation	409,000.00	409,000.00		Other income
Policy project funds for Robot Industry Development by Hefei economic and information bureau in 2018	335,000.00	335,000.00		Other income
Subsidies by Government for the production lines of solar photovoltaic glass and coated tempered glass	200,000.00	200,000.00	200,000.00	Other income
Municipal industrial design center award of Suzhou City by the Finance Bureau in 2018	200,000.00	200,000.00		Other income
Return of unemployment insurance premium	192,177.00	192,177.00		Other income

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LXI) Government grants (Continued)

2. Income-related government grants (Continued)

Type	Amount	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
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
2019 Special Fund on business development from Municipal Finance and Treasury	158,500.00	158,500.00		Other income
Special funds at central and provincial level on foreign economic and trade development from the Economic and Trade Development Bureau of Xinzhan District in 2019	122,000.00	122,000.00		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
Project funds on promoting foreign trade of Hefei City from the Economic and Trade Development Bureau of Xinzhan District in 2018	55,957.00	55,957.00		Other income
2018 Xinzhan Science and Technology Innovation Outstanding Contribution Award from the Science and Technology Bureau of Hefei Xinzhan High-tech Industrial Development Zone	50,000.00	50,000.00		Other income
Subsidies on purchasing R & D instruments and equipment from financial enterprises of the Anhui Province Science and Technology Department-62030198	41,000.00	41,000.00		Other income

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LXI) Government grants (Continued)

2. Income-related government grants (Continued)

Type	Amount	Amount recorded in current profit or loss or offsetting relevant costs or losses		Items recorded in current profit or loss or offsetting relevant costs or losses
		Amount for the period	Amount for the previous period	
Credit: Financial support fund disbursement on export credit insurance of Hefei City in 2018	37,100.00	37,100.00		Other income
Special funds on business development	35,000.00	35,000.00	38,280.00	Other income
Display device engineering science and technology research center of Shaanxi	34,165.90	34,165.90		Other income
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
Incentive funds for the enterprises with a steady growth from Sub-district Office, Weiyang West Road, Qindu District	6,000.00	6,000.00		Other income
Start-up fund of Intellectual Property Administration of Shaanxi Province to implement benchmark	20,000.00	20,000.00		Non-operating income
Infrastructure subsidies for Development Zone Projects			26,127,225.00	Other income
Enterprise Technology Innovation Award			36,200.00	Other income
Subsidies on pre-job skills training from the Finance Bureau of Hefei Xinzhan High-tech Industrial Development Zone			325,960.00	Other income
Supporting subsidies on investment projects within the central budget			1,350,000.00	Other income
Continued expansion project of Hefei Photovoltaic Phase II (three heavy industries and one innovative industry)			873,300.00	Other income
Awards and grants for industrialization development policy projects in the second half of 2018			5,195,400.00	Other income

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LXI) Government grants (Continued)

2. Income-related government grants (Continued)

Type	Amount	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
Policy incentives on promoting independent innovation enterprises from the Economic and Trade Development Bureau of Xinzhan District in 2016			101,000.00	Other income
Newly recognized corporate technology center financial award from the Economic and Information Commission of Hefei City in 2018			100,000.00	Other income
Refund of individual income tax revenue			2,915.19	Other income
Maternity benefits			12,756.21	Other income
High Temperature Allowance			10,000.00	Other income
Total	56,689,127.83	56,689,127.83	40,379,406.87	

(LXII) Dividend

As at 31 December 2019, the Board did not declare any dividend.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VI. CHANGE IN SCOPE OF CONSOLIDATION

(I) Business combination not involving enterprises under common control

Nil.

(II) Business combination involving enterprises under common control

Nil.

(III) Retro-purchase

Nil.

(IV) Disposal of subsidiaries

1. Loss of control over investment in subsidiaries in a single disposal

Name of subsidiary	Consideration for disposal of equity interest	Percentage of disposal of equity interests (%)	Method for disposal of equity interests	Timing of losing control	Basis for determination of timing of losing control	Difference between consideration for disposal and net assets of the subsidiary attributable to the Company under consolidated financial statements	Proportion of remaining equity interest at the date of loss of control	Book value of remaining equity interest at the date of loss of control	Fair value of remaining equity interest at the date of loss of control	Gain or loss arising from the remaining equity interest re-measured at fair value	Recognition and assumption for fair value of equity interest at the date of loss of control		Profit or loss arising from transformation of other comprehensive income which is related to equity investment of former subsidiary
											equity interest	control	
Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹佳潤澤礦業有限公司)	4,706,800.00	12%	Agreement transfer	31 October 2019	Equity Transfer Agreement having been signed and becoming effective	2,309,172.36	39%	6,678,079.86	15,297,087.00	8,619,007.14	Assessment value of remaining equity	0.00	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	Registered Capital (RMB 0'000)	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	9,500.00	76.31		Investment in establishment
IRICO (Hefei) Photovoltaic Co., Ltd.*	Hefei, Anhui	Hefei, Anhui	Production and sales of PV glass	115,000.00	100.00		Investment in establishment
IRICO Group Electronics (Hong Kong) Company Limited	Xianyang, Shaanxi	Hong Kong	Investment holding	23.11	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	10,000.00	100.00		Investment in establishment
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	7,000.00		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	30,000.00	100.00		Investment in establishment
Jiangsu IRICO Yongneng New Energy Company Limited*	Zhangjiagang, Jiangsu	Zhangjiagang, Jiangsu	Solar cells, solar cell modules	10,083.17	51.00		Business combination not involving enterprises under common control
Shaanxi IRICO Xinneng Glass Co., Ltd.* (陝西彩虹新能玻璃有限公司)	Xianyang, Shaanxi	Xianyang, Shaanxi	Production and sales of inorganic non-metallic materials and products	650.00	100.00		Investment in establishment

None of subsidiaries had issued any debt securities at the end or at any time during the year ended 31 December 2019 (2018: nil).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

(II) Significant non-wholly owned subsidiaries

1. Minority shareholders

No.	Name of subsidiary	Minority shareholder's shareholding ratio (%)	Profit or loss attributable to minority interests in the current period	Dividends paid to minority shareholder in the current period	Accumulated closing minority interests
1	Shaanxi IRICO New Material Co., Ltd*	23.69	6,712,869.22		67,742,719.20
2	Jiangsu IRICO Yongneng New Energy Company Limited*	49.00	-21,747,168.39		33,344,875.35

2. Financial information of significant non-wholly owned subsidiaries

Name of subsidiary	Closing balance						Balance at the end of last year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaanxi IRICO New Material Co., Ltd*	370,589,618.37	67,763,093.36	438,352,711.73	144,314,712.17	8,083,085.25	152,397,797.42	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*	190,725,404.30	160,978,720.43	351,704,124.73	280,451,059.50	3,202,299.20	283,653,358.70	417,126,974.32	161,493,533.66	578,620,507.98	469,955,573.57	664,907.28	470,620,480.85

Name of subsidiary	Amount for the period				Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shaanxi IRICO New Material Co., Ltd*	606,938,642.23	28,336,298.94	28,336,298.94	34,738,856.94	512,853,491.71	26,183,610.31	26,183,610.31	-17,147,465.74
Jiangsu IRICO Yongneng New Energy Company Limited*	289,364,843.03	-44,381,976.31	-44,381,976.31	-44,378,548.32	882,463,434.66	4,776,718.33	4,776,718.33	104,244,441.05

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Interests in joint arrangements or associates

1. Significant joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Accounting method for investment in joint ventures or associates	Whether have strategic to the Group's activities
				Direct	Indirect		
Shenmu Caijing Photovoltaics Power Generation Co., Ltd. (神木彩景光伏發電有限公司)	Shaanxi	Shaanxi	Production and supply of electric power, heating power, gas and water		50.00	Equity method	No
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	Shaanxi	Shaanxi	Production and supply of electric power, heating power, gas and water		49.00	Equity method	No
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	Hubei	Hubei	Scientific study and technological service		49.19	Equity method	No
IRICO New Energy (Changwu) Co., Ltd. (長武彩虹新能源有限公司)	Shaanxi	Shaanxi	Production and supply of electric power, heating power, gas and water		49.00	Equity method	No
Zuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	Guangdong	Guangdong	Manufacturing	49.00		Equity method	No
Hanzhong IRICO Jiarunze Mining Co., Ltd.* (漢中彩虹佳潤澤礦業有限公司)	Shaanxi	Shaanxi	Scientific study and technological service	39.00		Equity method	No

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Interests in joint arrangements or associates (Continued)

2. Main financial information on significant associates

Item	Closing balance/ Amount for the period Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	Balance at the end of last year/Amount for the previous period Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)
Current assets	211,479,411.52	202,788,375.28
Non-current assets	9,508,575.36	11,129,863.21
Total assets	220,987,986.88	213,918,238.49
Current liabilities	108,033,605.92	102,898,110.71
Non-current liabilities		
Total liabilities	108,033,605.92	102,898,110.71
Minority interests		
Equity attributable to shareholders of the Company	112,954,380.96	111,020,127.78
Net assets share calculated by percentage of shareholding	55,347,646.67	54,399,862.62
Adjustments	70,635,409.69	70,635,409.69
– Goodwill		
– Unrealized profit in internal transactions		
– Others	70,635,409.69	70,635,409.69
Carrying amount of equity investments in associates	125,983,056.37	125,035,272.31
The fair value of the equity investments which exist the public offer		
Operating income	5,506,235.52	39,403,763.69
Net profit	1,934,253.18	-2,695,194.66
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	1,934,253.18	-2,695,194.66
Dividends from received associates in the current period		

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

(III) Interests in joint arrangements or associates (Continued)

3. Aggregated 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	35,411,684.42	35,479,976.50
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-68,292.08	-40,670.94
– Other comprehensive income		
– Total comprehensive income	-68,292.08	-40,670.94
Associates:		
Total carrying amount of investments	32,965,945.69	18,811,170.36
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-522,616.88	-2,260,825.82
– Other comprehensive income		
– Total comprehensive income	-522,616.88	-2,260,825.82

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS

The Company is confronted with various financial risks in its operation: credit risk, market risk and liquidity risk. The Board of the Company is responsible for the determination of the overall risk management objectives and policies, and assumes ultimate responsibility for the risk management objectives and policies. Meanwhile, the internal auditors of the Company also conduct audit in respect of the risk management policies and procedures, and report relevant results to Audit Committee.

The overall objective of the Company's risk management is to develop a risk management policy that minimizes risks with undue impact on the Company's competitiveness and resilience.

(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.

(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 short-term bank borrowings, long-term bank borrowings and long-term payable.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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.

The exchange rate risk faced by the Company mainly arises from financial assets and financial liabilities denominated in US dollars and Euros. The amount of the financial assets and financial liabilities in foreign currencies converted into RMB is as follows:

Item	Closing balance			Balance at the end of the previous year		
	US dollars	Other foreign currency	Total	US dollars	Other foreign currency	Total
Monetary funds	7,343,063.15	12,942,041.94	20,285,105.09	5,410,268.80	5,740,125.91	11,150,394.71
Accounts receivable	1,424,018.36	14,398,475.33	15,822,493.69	25,014,650.25	103,091,087.12	128,105,737.37
Other receivables		41,281,857.68	41,281,857.68			
Sub-total	8,767,081.51	68,622,374.95	77,389,456.46	30,424,919.05	108,831,213.03	139,256,132.08
Accounts payables				724,687.35		724,687.35
Sub-total				724,687.35		724,687.35

(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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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.

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	584,392,230.44			584,392,230.44
Bills payable	652,957,552.71			652,957,552.71
Accounts payable	760,375,514.52			760,375,514.52
Other payables	1,574,136,220.28			1,574,136,220.28
Non-current liabilities due within one year	533,033,644.18			533,033,644.18
Long-term borrowings		132,321,800.00		132,321,800.00
Long-term payables		213,076,889.47		213,076,889.47
Total	4,104,895,162.13	345,398,689.47		4,450,293,851.60

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	758,391,661.66	130,992,620.78		889,384,282.44
Other payables	451,136,395.34	1,088,353,058.92		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
Total	2,631,989,595.82	1,814,721,424.14		4,446,711,019.96

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 Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	Level 1 fair value measurement	Fair value at the end of the period		Total
		Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuing fair value measurement				
◆ Held-for-trading financial assets	493,047.11		2,370,000.00	2,863,047.11
1. Financial assets at fair value through profit and loss				
(1) Investment in debt instruments			2,370,000.00	2,370,000.00
(2) Investment in equity instruments	493,047.11			493,047.11
(3) Derivative financial assets				
◆ Other investment in equity instruments	148,577,826.60		102,767,095.46	251,344,922.06
◆ Receivables financing			455,599,031.06	455,599,031.06

- (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 31 December 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 31 December 2019.

- (III) Valuation techniques used and the qualitative and quantitative information of key parameters for items persistently and non-persistently measured at fair value at the second level

- Debt instrument investments held by the Company which are measured at level 3 fair value is CITIC Construction Investment-CEC's third-phase account receivable asset support plan secondary income right with unfixed income, and a short remaining term, and the book value is equal to the fair value.
- 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.
- Receivables financing held by the Company which are measured at level 3 fair value is bill receivable. The holding intention is for endorsement, its remaining period is short, and the book value is equal to the fair value.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IX. DISCLOSURE OF FAIR VALUE (Continued)

(IV) Adjustment information and sensitivity analysis of unobservable parameters between the carrying amount at the end of the previous year and the end of the period for items persistently measured at fair value at the third level

1. *Adjustment information of items persistently measured at fair value at the third level*

Item	Balance at the end of the previous year	Transfers in level 3	Transfers out of level 3	Total gains or losses recognised in the period		Purchase, issue, selling and settlement				Closing balance	For assets held at the end of the reporting period, the gains or losses are not realised in the current period of profit or loss.
				In profits and losses	In other comprehensive income	Purchase	issue	Selling	settlement		
◆Held-for-trading financial assets		2,370,000.00								2,370,000.00	
◆Receivables financing	283,052,731.03	1,531,645,577.49	1,359,099,277.46							455,599,031.06	
◆Other investments in equity instruments	103,908,078.93				-1,140,983.47					102,767,095.46	
Total	386,960,809.96	1,534,015,577.49	1,359,099,277.46		-1,140,983.47					560,736,126.5	
Including: Profit and loss related to financial assets											
Profit and loss related to non-financial assets											

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

(I) The parent company of the Company

Unit: RMB'0000

Name	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 Company Limited*	Beijing	Production and sales of Electronic components	251,716.70	71.74	71.74

The ultimate controller of the Group: China Electronics and Information Industry Group Co., Ltd.*

(II) Information on the subsidiaries of the Company

Please refer to Note "VII. Interest in other entities" for details.

(III) Information on associates and joint ventures of the Company

Please refer to Note VII. (3) for details of the major associates and joint ventures of the Company.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(IV) Information on other related parties

Name of other related parties	Relationship between other related party and the Group
China Electronics Corporation and Information Industry Group Co., Ltd.	Ultimate control party
Hefei IRICO Epilight Industry Co., Ltd.	Same parent company
Xianyang Zhongdian IRICO Group Holdings Ltd.	Same parent company
Xianyang Cailian Packaging Materials Co., Ltd.	An associated company of shareholders
Xianyang IRICO Electronic Accessories Co., Ltd.	Under the same ultimate control party
Xianyang Zhongdian IRICO Properties Management Co., Ltd. (咸陽中電彩虹物業管理有限公司)	Under the same ultimate control party
Shaanxi IRICO Energy Services Corporation	Under the same ultimate control party
Xianyang IRICO Industry Company Limited	Under the same ultimate control party
Kunshan IRICO Industry Co., Ltd.	Under the same ultimate control party
Panda Xinxing Industrial Co., Ltd.	Under the same ultimate control party
Zhongdian Panda Trade Development Limited Company	Under the same ultimate control party
Nanjing Huadong Electronics Group Co., Ltd.	Under the same ultimate control party
Nanjing Zhongdian Panda Property Management Co., Ltd.	Under the same ultimate control party
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Under the same ultimate control party
Nanjing CEC Panda LCD Technology Co., Ltd.	Under the same ultimate control party
Nanjing CEC Panda Modern Services Co., Ltd.	Under the same ultimate control party
Xi'an IRICO Information Co., Ltd.	Under the same ultimate control party
China Electronics System Engineering No. 2 Construction Co., Ltd. (中國電子系統工程第二建設有限公司)	Under the same ultimate control party
China Electronics System Engineering No. 3 Construction Co., Ltd.	Under the same ultimate control party
China Electronics Financial Co., Ltd.	Under the same ultimate control party
China Electronics Commercial Financial Leasing Co., Ltd.	Associated enterprise of ultimate controlling party
Shaanxi IRICO Optoelectronic Materials Company*	Other related relationship
Xianyang Caiqin Electronics Device Co., Ltd.	Other related relationship
IRICO (Hefei) LCD Glass Co., Ltd.	Other related relationship

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions

1. Related party transactions for purchase and sales of goods/receipt and provision of services

(1) Purchase of goods/receipt of services

Name of related parties	Subject	Pricing methods and decision-making process	Amount for the period		Amount for the previous period	
			Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)
IRICO (Hefei) LCD Glass Co., Ltd.(彩虹(合肥)液晶玻璃有限公司)	Purchase of products	Agreement on pricing	126,905,846.32	6.44	119,252,852.62	5.77
Nanjing Huadong Electronics Group Co., Ltd.(南京華東電子進出口有限公司)	Purchase of products	Agreement on pricing	105,839,790.93	5.38	25,241,868.16	5.85
Shaanxi IRICO Energy Services Corporation(陝西彩虹能源服務有限公司)	Purchase of products	Agreement on pricing	49,812,673.03	3.47	73,639,689.47	3.53
Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	Purchase of products	Agreement on pricing	17,444,752.63	0.78	15,586,643.35	0.75
Hefei IRICO Epilight Industry Co., Ltd.(合肥彩虹藍光實業有限公司)	Purchase of products	Agreement on pricing	11,627,673.22	2.01		
Shaanxi IRICO Energy Services Corporation(陝西彩虹能源服務有限公司)	Receipt of services	Agreement on pricing	1,629,056.27	0.80		
Xianyang Cailian Packaging Materials Co., Ltd.(咸陽彩聯包裝材料有限公司)	Purchase of products	Agreement on pricing	36,438,665.76	0.52	31,077,084.46	1.50
China Electronics System Engineering No.2 Construction Co., Ltd.(中國電子系統工程第二建設有限公司)	Purchase of products	Agreement on pricing	2,972,972.97	0.13	1,981,981.98	0.09
Xianyang Zhongdian IRICO Group Holdings Ltd.*(咸陽中電彩虹集團控股有限公司)	Receipt of services	Agreement on pricing	1,753,579.31	0.05	185,070.00	0.01
Xianyang IRICO Industry Company Limited(咸陽彩虹集團實業有限公司)	Receipt of services	Agreement on pricing	255,546.16	0.01		

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

1. Related party transactions for purchase and sales of goods/receipt and provision of services (Continued)

(1) Purchase of goods/receipt of services (Continued)

Name of related parties	Subject	Pricing methods and decision-making process	Amount for the period		Amount for the previous period	
			Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)
IRICO Group Corporation Limited * (彩虹集團有限公司)	Purchase of products	Agreement on pricing			19,715,161.09	22.83
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Purchase of products	Agreement on pricing	6,439,608.42	0.33	7,329,405.28	0.35
Panda Xinxing Industrial Co., Ltd. (南京熊猫新興實業有限公司)	Receipt of services	Agreement on pricing	56,603.78	0.00		
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Interest on borrowings	Market pricing			4,358,956.23	5.05
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司)	Purchase of products	Agreement on pricing			884,500.00	1.02
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	Purchase of products	Agreement on pricing			441,041.64	0.51
Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊猫物業管理有限公司)	Receipt of services	Agreement on pricing	170,142.17	0.01	137,919.81	0.01
Xianyang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	Purchase of products	Agreement on pricing			60,008.23	0.07

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

1. Related party transactions for purchase and sales of goods/receipt and provision of services (Continued)

(2) Sale of goods/provision of services

Name of related parties	Subject	Pricing methods and decision-making process	Amount for the period		Amount for the previous period	
			Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)
IRICO (Hefei) LCD Glass Co., Ltd.(彩虹(合肥)液晶玻璃有限公司)	Provision of services	Agreement on pricing	15,890,178.02	0.76	8,838,137.13	38.70
Panda Xinxing Industrial Co., Ltd. (南京熊猫新興實業有限公司)	Sale of products	Agreement on pricing	2,967,942.09	0.14	2,115,578.45	14.88
IRICO New Energy (Wuhan) Co., Ltd.(武漢彩虹綠色能源有限公司)	Sale of products	Agreement on pricing	339,622.68	0.02	311,320.77	20.75
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Provision of services	Agreement on pricing	322,166.04	0.01		
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	Provision of services	Agreement on pricing	169,811.29	0.01	155,660.34	10.38
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)	Sale of products	Agreement on pricing	8,193,037.41	0.36	29,257,143.35	24.06
Nanjing CEC Panda LCD Technology Co., Ltd. (南京中電熊猫液晶顯示科技有限公司)	Sale of products	Agreement on pricing			17,808,000.00	16.59
Xianyang IRICO Optoelectronics Technology Co., Ltd.(咸陽彩虹光電科技有限公司)	Sale of products	Agreement on pricing			16,656,000.00	15.51
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	Sale of products	Market pricing			228,575.65	5.31
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	Sale of products	Market pricing			171,337.49	3.98
Xianyang IRICO Hospital (咸陽彩虹醫院)	Receipt of services	Agreement on pricing			13,712.00	0.00

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

2. Leasing with related parties

The company as the lessor:

Name of lessor	Type of Assets under lease	Income recognized from leasing for the period	Income recognized from leasing for the same period last year
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Plants	5,809,075.44	5,565,237.74
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Plants	322,166.04	439,386.79

The Company as the lessee:

Name of lessor	Type of Assets under lease	Fees recognized from leasing for the period	Fees recognized from leasing for the same period last year
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	Premises leasing	1,080,642.96	3,122,870.36
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	430,000.00
Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	Property management fee	225,357.49	
Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	Plants	133,879.45	196,101.41
Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	Office	33,939.25	
IRICO Group Company Limited	Property management fee		244,225.41
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	Property management fee		28,466.59
IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹(張家港)平板顯示有限公司)	Vehicles leasing		12,931.03

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

3. Guarantee with related parties

Guarantor	Guaranteed parties	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
IRICO Group Company Limited	IRICO Group New Energy Company Limited	300,000,000.00	2016-12-15	2022-12-15	No
IRICO Group Company Limited	IRICO Group New Energy Company Limited	135,000,000.00	2016-7-1	2023-7-1	No
IRICO Group Company Limited	IRICO Group New Energy Company Limited	50,000,000.00	2019-7-9	2022-7-8	No
IRICO Group Company Limited	IRICO Group New Energy Company Limited	48,000,000.00	2018-6-15	2022-6-12	No
IRICO Group Company Limited	IRICO Group New Energy Company Limited	25,000,000.00	2018-6-30	2023-6-30	No
IRICO Group Company Limited	Jiangsu IRICO Yongneng New Energy Company Limited	40,000,000.00	2018-7-24	2019-7-23	Yes
IRICO Group Company Limited	Jiangsu IRICO Yongneng New Energy Company Limited	30,000,000.00	2019-7-23	2020-7-23	No
IRICO Group Company Limited	IRICO Group New Energy Company Limited	450,000.00	2016-6-30	2023-6-30	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	IRICO (Hefei) Photovoltaic Co., Ltd.	115,191,000.00	2019-8-19	2022-8-9	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	IRICO (Hefei) Photovoltaic Co., Ltd.	99,667,000.00	2019-1-22	2021-12-24	No

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

3. Guarantee with related parties (Continued)

Guarantor	Guaranteed parties	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)	IRICO (Hefei) Photovoltaic Co., Ltd.	96,515,450.00	2017-9-1	2024-6-30	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	IRICO (Hefei) Photovoltaic Co., Ltd.	80,000,000.00	2019-12-31	2023-12-29	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	IRICO Group New Energy Company Limited	69,000,000.00	2019-1-9	2023-1-8	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	IRICO (Hefei) Photovoltaic Co., Ltd.	50,000,000.00	2019-2-19	2022-2-18	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	IRICO (Hefei) Photovoltaic Co., Ltd.	40,000,000.00	2019-9-25	2023-12-29	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	Shaanxi IRICO New Material Co., Ltd.	30,000,000.00	2019-8-22	2020-7-18	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	IRICO Group New Energy Company Limited	30,000,000.00	2019-2-25	2022-8-18	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	IRICO Group New Energy Company Limited	1,200,000.00	2019-6-12	2020-6-12	No
IRICO Group Company Limited and Xianyang Zhongdian IRICO Group Holdings Ltd.	IRICO Group New Energy Company Limited	19,000,000.00	2019-10-31	2022-4-30	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Company Limited	IRICO (Hefei) Photovoltaic Co., Ltd.	43,091,812.55	2018-4-16	2023-4-16	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Company Limited	IRICO (Hefei) Photovoltaic Co., Ltd.	23,490,794.35	2018-4-2	2023-4-2	No

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

3. Guarantee with related parties (Continued)

Guarantor	Guaranteed parties	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Company Limited	IRICO (Hefei) Photovoltaic Co., Ltd.	23,490,794.35	2018-4-9	2023-4-9	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Company Limited	IRICO (Hefei) Photovoltaic Co., Ltd.	71,111,111.11	2019-8-5	2024-8-5	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Company Limited	IRICO (Hefei) Photovoltaic Co., Ltd.	116,666,666.67	2018-10-10	2022-4-2	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Company Limited	IRICO (Hefei) Photovoltaic Co., Ltd.	75,000,000.00	2019-12-09	2024-12-20	No
IRICO Group Company Limited/IRICO Group New Energy Company Limited	Xianyang IRICO Green Energy Co., Ltd.	36,000,000.00	2018-12-20	2023-9-13	No
IRICO Group New Energy Company Limited/IRICO (Hefei) Photovoltaic Co., Ltd.	IRICO Yan'an New Energy Co., Ltd.	24,000,000.00	2018-11-6	2023-11-30	No
IRICO Group New Energy Company Limited/IRICO (Hefei) Photovoltaic Co., Ltd./IRICO Group Company Limited	IRICO Yan'an New Energy Co., Ltd.*	30,000,000.00	2019-1-23	2024-2-25	No
IRICO Group New Energy Company Limited/IRICO (Hefei) Photovoltaic Co., Ltd./Xianyang Zhongdian IRICO Group Holdings Ltd.	IRICO Yan'an New Energy Co., Ltd.*	45,500,000.00	2019-9-25	2024-9-29	No

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

4. Borrowings from or lending to related parties

Related Party	Borrowing/ lending amount	Commencement date	Maturity date	Notes
Borrowing				
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	340,703,528.82	2019.2.18	2020.2.17	
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	
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	
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	24,500,000.00	2019.12.21	2020.12.20	
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	18,000,000.00	2019.12.21	2020.12.20	
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	10,000,000.00	2019.11.19	2020.11.19	
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	6,000,000.00	2019.12.21	2020.12.20	
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	4,921,015.00	2019.12.9	2020.12.9	
Zhuhai Caizhu Industrial Co., Ltd.*	30,000,000.00	2020.1.1	2020.12.31	
Zhuhai Caizhu Industrial Co., Ltd.*	40,000,000.00	2020.1.1	2020.12.31	
Kunshan IRICO Industry Co., Ltd.	10,000,000.00	2020.1.1	2020.12.31	
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	135,000,000.00	2016.7.1	2021.7.1	
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	25,000,000.00	2018.6.30	2020.6.30	
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	450,000.00	2016.6.30	2021.6.30	
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	80,000,000.00	2019.9.9	2020.9.9	
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	10,000,000.00	2019.7.25	2020.7.23	
IRICO Group Company Limited	20,000,000.00	2019.12.19	2020.12.19	
IRICO Group Company Limited	3,000,000.00	2019.2.1	2020.2.1	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

5. Assets transfer and debts restructuring with related parties

Related Party	Transaction subject	Amount for the period	Amount for the same period last year
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	Disposal of equity interest		131,882,093.71

6. Remuneration of key management personnel

Item	Amount for the period	Amount for the same period last year
Remuneration of Key Management Personnel	3,300,849.50	4,089,854.00

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

6. Remuneration of key management personnel (Continued)

The key management personnel is 19 (including senior management, directors, supervisors and etc.) for the current period, among them, 15 are remunerated in the Company.

2019

Name	Fees	Salary and allowance	Pension insurance	Other	Total
Senior management					
Zou Changfu		38,765.61	6,241.20	5,696.86	50,703.67
Chen Xiaoning		387,242.34	31,481.17	45,850.73	464,574.24
Tong Xiaofei					
Ma Zhibin		310,973.98	32,454.24	34,145.01	377,573.23
Yuan Guanqing		75,914.71	5,389.44	10,230.64	91,534.79
Gu Qiang		328,262.46	32,454.24	34,145.01	394,861.71
Ni Huadong		323,416.65	37,698.12	61,820.82	422,935.59
Wu Wenchao		337,383.98	32,454.24	34,145.01	403,983.23
Huang Weihong					
Supervisors					
Ding Wenhui					
Zhao Lefei		314,328.28	32,454.24	34,145.01	380,927.53
Tang Haobo		18,655.13	9,361.80	8,545.29	36,562.22
Wu Mingli		168,501.11	23,092.44	25,599.72	217,193.27
Sun Haiying	80,000.00				80,000.00
Wu Xiaoguang	80,000.00				80,000.00
Directors					
Si Yuncong					
Zou Changfu					
Chen Xiaoning					
Fan Laiying					
Ni Huadong					
Feng Bing	100,000.00				100,000.00
Wang Jialu	100,000.00				100,000.00
Wang Zhicheng	100,000.00				100,000.00

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

6. *Rumination of key management personnel (Continued)*

Remuneration of the top five highest paid individuals:

The top five highest paid individuals of the Company include 4 senior management and 1 supervisor.

7. *Other related party transactions*

- (1) Compensation to Xianyang Zhongdian IRICO Group Holdings Ltd.* on shutdown of furnaces

Xianyang Photovoltaic Glass Factory* (咸陽光伏玻璃廠) (“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 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 approval of our controlling shareholder, 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 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 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 made for wages and social security losses of idle workers during the shutdown caused by the two furnaces shut down in 2017.

In 2019, the Company confirmed that the compensation of furnaces of Zhongdian Holdings is RMB106,943,200, which is included in other income.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

7. Other related party transactions (Continued)

(2) Accounts receivable assignment

In order to explore new financing channels, on 24 May 2019, each of the Company, Hefei Photovoltaic and Shaanxi New Material entered into the Accounts Receivable Assignment Agreements with China Electronics and Information Industry Group Co., Ltd. (“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 Assignment Agreements were authorised and approved. The transfer of accounts receivable by the Company, Hefei Photovoltaic and Shaanxi New Material to CEC was authorised and 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.

(3) With China Electronics Financial Co., Ltd.

Related parties	Content of transactions with related parties	Closing balance/ amount for the period
China Electronics Financial Co., Ltd.	Bank deposit	108,624,110.00
China Electronics Financial Co., Ltd.	Receipts from interest	93,148.90
China Electronics Financial Co., Ltd.	Balance of loan	90,000,000.00
China Electronics Financial Co., Ltd.	Payment of interest	4,345,045.84
China Electronics Financial Co., Ltd.	Bill discounted interest	395,168.18

The closing balance of the Company’s deposits with China Electronics Financial Co., Ltd. amounted to RMB108,624,110.00, which generated deposit interest of RMB93,148.90 for the Company during the period; the Company’s borrowings amounted to RMB90,000,000.00, which resulted in interest expenses of RMB4,345,045.84 during the period. The bill discounted interest of the Company is RMB395,168.18.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VI) Receivables from and payables to related parties

1. Receivables from related parties

Item	Related Party	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Bills receivables					
	IRICO Group Corporation Limited	7,137,268.75		7,137,268.75	
	Xianyang Zhongdian IRICO Group Holdings Ltd.	4,676,836.18		4,676,836.18	
	IRICO (Hefei) LCD Glass Co., Ltd.	121,918.82			
	Xianyang IRICO Optoelectronics Technology Co., Ltd.			7,546,960.00	
	Nanjing Huadong Electronics Group Co., Ltd.			4,342,692.00	
	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.			4,498,547.97	
	Nanjing CEC Panda LCD Technology Co., Ltd.			3,107,408.00	
	Xianyang Cailian Packaging Materials Co., Ltd.			80,541.51	
Receivables financing					
	Zhuhai Caizhu Industrial Co., Ltd.	70,000,000.00			
Prepayments					
	Shaanxi IRICO Energy Services Corporation	745,000.00		956,000.00	
	Xianyang Cailian Packaging Materials Co., Ltd.	2,595.69			
	Xianyang Zhongdian IRICO Group Holdings Ltd.	387.29		17,000.59	
Other receivables					
	Hanzhong IRICO Jiarunze Mining Co., Ltd	22,421,859.36			
	China Electronics Commercial Financial Leasing Co., Ltd.	18,000,000.00		18,000,000.00	
	IRICO New Energy (Liquan) Co., Ltd.	3,465,783.00		3,465,783.00	
	Xi'an IRICO Information Co., Ltd.	3,127,691.14		3,127,691.14	
	Shaanxi IRICO Optoelectronic Materials Company	3,060,000.00		3,060,000.00	
	IRICO New Energy (Changwu) Co., Ltd	2,750,000.00		1,650,000.00	
	IRICO Group	2,577,777.59		87,795,221.40	
	IRICO New Energy (Wuhan) Co., Ltd.	950,000.00		450,000.00	
	Nanjing CEC Panda Modern Services Co., Ltd.	28,517.70			
	Shaanxi IRICO Energy Services Corporation	6,000.00		6,000.00	
	Xianyang Zhongdian IRICO Group Holdings Ltd.			90,000,000.00	
	Hefei IRICO Epilight Technology Co., Ltd.			780,000.00	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VI) Receivables from and payables to related parties (Continued)

2. Payables to related parties

Item	Related Party	Closing balance	Balance at the end of the last year
Short-term borrowings	China Electronics Financial Co., Ltd.	90,000,000.00	100,000,000.00
Accounts payables	IRICO (Hefei) LCD Glass Co., Ltd.	19,513,434.18	19,958,863.51
	Shaanxi IRICO Energy Services Corporation	15,940,886.76	9,754,072.22
	Hefei IRICO Epilight Industry Co., Ltd.	7,875,475.47	
	Xianyang Zhongdian IRICO Group Holdings Ltd.	9,970,865.80	5,707,736.96
	Nanjing Huadong Electronics Group Co., Ltd.	4,965,594.68	
	Xianyang Cailian Packaging Materials Co., Ltd.	17,180,423.51	12,234,341.20
	China Electronics System Engineering No.2 Construction Co., Ltd.	1,440,540.54	
	Xianyang IRICO Electronic Accessories Co., Ltd.	827,705.60	827,705.60
	Xi'an IRICO Information Co., Ltd	780,708.17	780,708.17
	IRICO Group	1,670,564.91	1,508,252.71
	Xianyang IRICO Industry Company Limited	145,346.06	136,265.41
	Xianyang Zhongdian IRICO Property Management Company Limited	10,000.00	
	Zhongdian Panda Trade Development Limited Company		8,619,412.16
	Xianyang Caiqin Electronics Device Co., Ltd.	4,740,348.60	4,740,348.60
	China Electronics System Engineering No. 3 Construction Co., Ltd.		2,037,431.50
	Nanjing Zhongdian Panda Property Management Co., Ltd.		186,450.00
	Xianyang IRICO Hospital		69,745.50
	Shaanxi IRICO Optoelectronic Materials Company		79.69

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VI) Receivables from and payables to related parties (Continued)

2. Payables to related parties (Continued)

Item	Related Party	Closing balance	Balance at the end of the last year
Bills payable			
	IRICO (Hefei) LCD Glass Co., Ltd.	41,404,290.38	33,500,000.00
	Zhongdian Panda Trade Development Limited Company	19,500,000.00	9,200,000.00
	Hefei IRICO Epilight Industry Co., Ltd.	9,360,000.00	270,000.00
	China Electronics System Engineering No.2 Construction Co., Ltd.	750,000.00	
	Xianyang Zhongdian IRICO Group Holdings Ltd.	700,000.00	700,000.00
	Shaanxi IRICO Energy Services Limited		11,804,031.53
	Xianyang Cailian Packaging Materials Co., Ltd.		7,600,000.00
	China Electronics System Engineering No. 3 Construction Co., Ltd.		708,000.00
Other payables			
	Xianyang Zhongdian IRICO Group Holdings Ltd.	806,029,262.55	177,056,069.57
	Zhuhai Caizhu Industrial Co., Ltd.	102,470,007.57	99,927,674.25
	IRICO Group Sales Company	83,047,197.64	671,993,191.55
	Kunshan IRICO Industry Co., Ltd.	43,348,766.09	42,652,778.11
	China Electronics and Information Industry Group Co., Ltd.	41,900,145.43	
	IRICO New Energy (Wuhan) Co., Ltd.	10,406,002.65	10,406,002.65
	Xianyang IRICO Electronic Accessories Co., Ltd.	7,104,235.01	7,883,156.51
	China Electronics Commercial Financial Leasing Co., Ltd.		453,108.41
	China Electronics System Engineering No.2 Construction Co., Ltd.	50,000.00	50,000.00
	Hefei IRICO Epilight Industry Co., Ltd.	30,000.00	30,000.00
	China Electronics No. 3 Construction Company Limited Second Division		1,310.00
Interests payable			
	IRICO Group Corporation Limited		10,329,885.59
	IRICO Electronics Materials Company		2,215,275.62
	Xianyang Zhongdian IRICO Group Holdings Ltd.		2,159,575.59
Non-current assets due within one year	China Electronics Commercial Financial Leasing Co., Ltd.	115,300,000.00	125,250,000.00
Long-term borrowings	China Electronics Commercial Financial Leasing Co., Ltd.		160,450,000.00
Long-term payables	China Electronics Commercial Financial Leasing Co., Ltd.	45,150,000.00	
Contract liabilities	IRICO (Hefei) LCD Glass Co., Ltd.		1,330,350.01

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES

(1) Important commitments

The capital expenditure commitments entered into by the Company on the balance sheet date which are not required to be shown on the balance sheet are as follows:

Unit: RMB0'000

Project	Contractual investment	Investment recognized	Investment not recognized
Hefei Photovoltaic Glass Project	97,448.77	88,298.07	9,150.70
Nanjing CEC Panda distributed power stations	7,635.16	6,651.60	983.56
Nanjing Lide Dongfang distributed photovoltaic power generation project	1,405.21	1,181.26	223.95
Solar photovoltaic glass furnace	65,202.39	55,435.82	9,766.57
	171,691.53	151,566.75	20,124.78

(2) Contingencies

For the guarantee provided by the Company for the bank loan of the subsidiary, please refer to note "X.(V).4".

XII. POST BALANCE SHEET EVENTS

(1) Financing lease contract

As at 8 January 2020, the subsidiary of the Company, namely IRICO (Hefei) Photovoltaic Company Limited, and IRICO Group Company Limited ("IRICO Group") and CGNPC International Financial Leasing Co., Ltd. (CGNPC Leasing) entered into a financing lease agreement. CGNPC Leasing (1) purchased the lease item from Hefei Photovoltaic and IRICO Group for RMB150,000,000.00, and made a one-time payment to Hefei Photovoltaic; (2) leased the lease item back to Hefei Photovoltaic and IRICO Group for a period of 36 months from the lease date. It is estimated that the lease payment will be about RMB163,853,120.52. The lease payment will be paid with the principal of RMB150,000,000.00 by Hefei Photovoltaic and the interest of RMB 13,853,120.52 by IRICO Group. On the same day, Zhongdian IRICO signed a guarantee contract with CGNPC Leasing in favor of CGNPC Leasing, pursuant to which Xianyang Zhongdian IRICO Group Holdings Ltd. agreed to provide irrevocable joint and several guarantee liability for all debts assumed by Hefei Photovoltaic and IRICO Group to CGNPC Leasing under the finance lease contract.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XII. POST BALANCE SHEET EVENTS (Continued)

(2) Issue of H Shares

the Company held the extraordinary general meeting on 20 January 2020 to consider and approve the extension of validity period in respect of H share issue and related matters, including the extension of validity period of the authorization to the Board to deal with matters relating to the proposed H share issue. The above validity period shall be extended for a period of 12 months.

(3) Strategic cooperation agreement

The Company (as the supplier) and JA Solar Technology (as the purchaser) (its A shares are listed on the Shenzhen Stock Exchange with stock code: 002459)) entered into the strategic cooperation agreement on 18 March 2020 for the supply and purchase of the production and services of photovoltaic glass with an estimated total contract amount of approximately RMB2.1 billion (tax inclusive) from 18 March 2020 to 31 March 2022.

(4) Influence of CONVID-19

The Company quickly launched double-lines measures (the epidemic prevention and control and production and operation) after the outbreak of CONVID-19 epidemic in early 2020. The Company's main business, photovoltaic glass, maintained continuous production, therefore, the Company assessed that the outbreak of CONVID-19 will not have a significant impact on the Company.

(5) Other events

Mr. Chen Xiaoning ceased to be the executive director and general manager and Mr. Gu Qiang ceased to be the chief financial officer since 31 December 2019. According to the consideration and approval by the Extraordinary General Meeting of shareholders held on 20 January 2020, Mr. Tong Xiaofei appointed as the executive director and deputy general manager of the Company and Mr. Huang Weihong appointed as the chief financial officer of the Company.

Mr. Si Yuncong, Mr. Tong Xiaofei, Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng were members of Nomination Committee, and is chaired by Mr. Si Yuncong since 20 January 2020.

Mr. Wang Jialu, Mr. Tong Xiaofei and Mr. Wang Zhicheng were members of Remuneration Committee, and is chaired by Mr. Wang Jialu since 20 January 2020.

Mr. Si Yuncong, Mr. Tong Xiaofei, Mr. Ni Huadong, Mr. Fengbing, Mr. Wang Jialu and Mr. Wang Zhicheng were members of Strategy Committee, and is chaired by Mr. Si Yuncong since 20 January 2020.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XIII. CAPITAL MANAGEMENT

The main goal of the Company's capital management:

- Ensure the Company's ability to continue its operations so as to provide returns to shareholders and benefit other stakeholders;
- Price products and services according to the level of risk to provide adequate returns to shareholders.

The Company set a capital amount proportional to the risk and manages and adjusts the capital structure according to the changes in the economic environment and the risk characteristics of the underlying assets. The Company may adjust the amount of dividends paid to shareholders, the capital returned to shareholders, the issuance of new shares and the sale of assets to reduce liabilities in order to maintain or adjust the capital structure.

The Company monitored capital on the basis of an adjusted liability/capital ratio.

	Closing balance	Balance at the end of last year
Total liability	4,623,023,634.27	4,656,994,162.96
Less: cash and cash equivalents	163,386,562.37	128,620,277.04
Adjusted net liability	4,459,637,071.90	4,528,373,885.92
Shareholders' interests	289,071,013.70	213,783,039.80
Adjusted capital	289,071,013.70	213,783,039.80
Adjusted liability/capital ratio	15.43	21.18

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS

1. Segment information

(1) *Preparation basis and accounting policy of the reporting segment*

According to the Company's internal organizational structure, management requirements and internal reporting system, four reporting segments are determined, which are: solar photovoltaic and module industry, new material industry, trade business and others. Each reporting segment of the Company provides different products or services or operates in different regions. As each segment requires different technologies or marketing strategies, the Company's management separately manages the operating activities of each reporting segment and regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The intersegment transfer price is determined on the basis of the actual transaction price, and the expenses indirectly attributable to each segment are distributed among the segments in accordance with the corresponding proportion. Assets are allocated according to the operation of the segment and the location of the assets. The liabilities of the segment include the liabilities attributable to the segment resulting from the segment's activities. If expenses related to liabilities shared by multiple operating segments are allocated to those operating segments, the shared liability is also allocated to those operating segments.

The non-current assets are divided by the region where the assets belong, excluding other equity instrument investments and deferred income tax assets. The Company's non-current assets are all in China.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment information (Continued)

(2) Financial information of the reporting segment

Item	Solar Photovoltaic business	New materials business	Others	Inter-segment eliminations	Total
External transaction income	1,593,470,236.91	603,399,924.54	48,242,629.09		2,245,112,790.54
Income for inter-segment transaction					
Gain from investments in associates and joint ventures	356,875.10				356,875.10
Asset impairment losses	1,991,116.32				1,991,116.32
Credit impairment losses	-179,210.35	4,253,385.67		-20,769.00	4,053,406.32
Depreciation and amortization	127,131,482.37	2,613,904.09			129,745,386.46
Total profit (total loss)	64,230,589.45	31,438,439.81	-3,537,444.51	-15,976,477.69	76,155,107.06
Income tax expenses	-1,032,150.47	3,102,140.87			2,069,990.40
Net profit (net loss)	65,262,739.92	28,336,298.94	-3,537,444.51	-15,976,477.69	74,085,116.66
Total assets	4,072,085,136.87	438,352,711.73	1,924,460,001.42	-1,522,803,202.05	4,912,094,647.97
Total liabilities	2,604,160,926.60	152,397,797.42	2,058,887,818.46	-192,422,908.21	4,623,023,634.27
Other non-cash expenses other than depreciation and amortisation					
Long-term equity investment in associate and jointly controlled enterprises	194,360,686.48				194,360,686.48
The amounts of additions to non-current assets other than long-term equity investments	95,863,097.49	34,090,933.76		-3,970,462.26	125,983,568.99

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XV. SUPPLEMENTAL INFORMATION

(1) Breakdown of non-recurring profit or loss for the current period

Item	Amount	Note
Profit/loss on disposal of non-current assets	-176,257.28	
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	64,973,208.93	
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		
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 investment.	707,870.26	

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XV. SUPPLEMENTAL INFORMATION (Continued)

(I) Breakdown of non-recurring profit or loss for the current period (Continued)

Item	Amount	Note
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.		
Trustee fee income from trustee operation		
Investment income from disposal of long-term equity investment	10,928,179.50	Disposal of Hanzhong Jiarunze
Other non-operating income and expenses save for the above	-3,965,099.74	
Other profit or loss items falling within the meaning of non-recurring profit or loss	106,943,233.00	Compensation earnings on shutdown of furnaces
Total	179,411,134.67	
Effect of income tax	26,227,343.11	
Effect of minority interests	2,698,590.09	
Total	150,485,201.47	

(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	65.97	0.0417	0.0417
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss items	-40.62	-0.0257	-0.0257

Five-Year Financial Summary

Unit: RMB'000

Item	2019	2018	2017	2016	2015
Operating revenue	224,511	233,192	247,147	187,105	163,084
Total profit (total loss is represented by "-")	7,616	8,696	10,616	9,818	52,470
Income tax expenses	207	17	587	137	30
Net profit (net loss is represented by "-")	7,409	8,679	10,028	9,681	52,440
Including: Net profit attributable to the owners of the Company	9,314	8,130	9,001	9,831	68,299
Minority interests	-1,906	549	1,027	-149	-15,859
Total assets	491,209	487,078	459,661	364,681	316,597
Total liabilities	462,302	465,699	435,502	350,954	304,524
Owner's equity	28,907	21,378	24,159	13,727	12,073
Including: Equity attributable to equity shareholders of the Company	18,798	9,324	12,654	6,769	3,155
Minority interests	10,109	12,054	11,505	6,958	8,918
Earnings per share (RMB)	0.0417	0.0364	0.0403	0.0440	0.3059

Corporate Information

Executive Directors

Si Yuncong	Chairman
Zou Changfu	Retired as an executive director on 13 February 2019
Chen Xiaoning	Re-designated from a non-executive director to an executive director on 13 February 2019, and resigned as an executive director on 31 December 2019
Tong Xiaofei	Appointed as an executive director on 20 January 2020

Non-executive Director

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	Resigned as chief financial officer on 31 December 2019
Huang Weihong	Appointed as chief financial officer on 31 December 2019

Secretary to the Board

Ni Huadong

Company Secretary

Chu Xiaohang

Authorized Representatives

Si Yuncong	Ceased to be an authorized representative on 20 January 2020
Tong Xiaofei	Appointed as an authorized representative on 20 January 2020
Ni Huadong	

Corporate Information (Continued)

Legal address in the PRC

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

Auditor

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