



FGC 福萊特玻璃集團股份有限公司
Flat Glass Group Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 6865

**Interim
Report
2020**

Contents

	<i>Page(s)</i>
CORPORATION INFORMATION	2
FINANCIAL SUMMARY	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
CORPORATE GOVERNANCE AND OTHER INFORMATION	16
CONSOLIDATED BALANCE SHEET	27
BALANCE SHEET OF THE COMPANY	29
CONSOLIDATED INCOME STATEMENTS	31
INCOME STATEMENTS OF THE COMPANY	33
CONSOLIDATED STATEMENT OF CASH FLOW	34
STATEMENTS OF CASH FLOW OF THE COMPANY	36
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY...	38
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY	40
NOTES TO THE FINANCIAL STATEMENTS	42
SUPPLEMENTARY INFORMATION	175

Corporate Information

DIRECTORS

Executive directors

Mr. Ruan Hongliang
(*Chairman of the Board of Directors*)

Ms. Jiang Jinhua
Mr. Wei Yezhong
Mr. Shen Qifu

Independent non-executive directors

Mr. Cui Xiaozhong
Ms. Hua Fulan
Mr. Ng Ki Hung

SUPERVISORS

Mr. Zheng Wenrong
(*Chairman of the Board of Supervisors*)

Mr. Shen Fuquan
Mr. Zhu Quanming
Ms. Niu Liping
Ms. Zhang Huizhen

AUDIT COMMITTEE

Mr. Cui Xiaozhong (*Chairman*)
Ms. Hua Fulan
Mr. Ng Ki Hung

REMUNERATION COMMITTEE

Mr. Cui Xiaozhong (*Chairman*)
Mr. Ruan Hongliang
Ms. Hua Fulan

NOMINATION COMMITTEE

Mr. Ruan Hongliang (*Chairman*)
Mr. Cui Xiaozhong
Mr. Ng Ki Hung

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Ruan Hongliang (*Chairman*)
Mr. Wei Yezhong
Mr. Cui Xiaozhong

RISK MANAGEMENT COMMITTEE

Mr. Ruan Hongliang (*Chairman*)
Ms. Jiang Jinhua
Mr. Cui Xiaozhong

COMPANY SECRETARY

Ms. Ruan Zeyun

AUTHORISED REPRESENTATIVES

Mr. Ruan Hongliang
Ms. Ruan Zeyun

REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1999 Yunhe Road
Xiuzhou District
Jiaxing
Zhejiang Province
People's Republic of China (the "PRC")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6, 11/F, Prosperity Place
6 Shing Yip Street, Kwun Tong
Kowloon
Hong Kong
(effective from 15 June 2020)

CORPORATE WEBSITE

www.flatgroup.com.cn

LEGAL ADVISERS AS TO HONG KONG LAW

Luk & Partners
In Association with Morgan, Lewis & Bockius

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants LLP

PRINCIPAL BANKERS

Bank of China Limited, Jiaxing Branch
China CITIC Bank Corporation Limited,
Jiaxing Branch
Industrial and Commercial Bank of
China Limited, Jiaxing Branch
Bank of China (Hong Kong) Limited
Citibank, N.A., Hong Kong Branch
DBS Bank (Hong Kong) Limited

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Summary

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operating revenue	2,496,204	2,034,636
Cost of sales	1,544,251	1,461,799
Gross profit	951,953	572,837
Total profit	565,333	310,407
Income tax expense	104,526	48,987
Net profit	<u>460,806</u>	<u>261,419</u>
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current assets	5,307,811	4,939,536
Current assets	5,885,555	4,452,745
Current liabilities	3,696,632	4,454,089
Net current (liabilities) assets	2,188,923	(1,344)
Total assets less current liabilities	7,496,733	4,938,192
Net assets	5,238,171	4,512,888
share capital	487,500	487,500
Reserves	4,750,671	4,025,388
Total equity	<u>5,238,171</u>	<u>4,512,888</u>

Management Discussion and Analysis

BUSINESS OVERVIEW

Flat Glass Group Co., Ltd. (the “Company”) and its subsidiaries (together with the Company, the “Group”) is principally engaged in the manufacturing and sales of various glass products, including PV glass, float glass, architectural glass and household glass. The production facilities of the Group are strategically located in Jiaxing, Zhejiang Province, and Fengyang County, Chuzhou, Anhui Province, the PRC. The Group mainly sells glass products to customers in countries including China, Vietnam, Singapore, Korea, Japan, Malaysia, India, Mexico and America.

OVERVIEW OF THE GROUP’S BUSINESS

1. Domestic expansion in Anhui Province, the PRC

The Group intended to invest in an annual production capacity of 750,000 tons of glass as covers for photovoltaic (“PV”) modules project in Fengning Modern Industrial Park, Fengyang County, Chuzhou City, Anhui Province, the PRC with the expected investment amount totaling RMB1,751.7 million. This project will be using the proceeds from the issuance of A share convertible corporate bond of the Company, and will include two raw glass production lines with a daily melting capacity of 1,200 tons, which are expected to be gradually put into production in 2021.

In addition, the Group intends to invest in the phase II of establishment of an annual production capacity of 750,000 tons of glass as covers for PV modules in Fengning Modern Industrial Park, Fengyang County, Chuzhou City, Anhui Province, the PRC with the expected investment amount totaling RMB1,632.6 million. This project will be using the proceeds from the proposed non-public issuance of A shares of the Company, and will include two raw glass production lines with a daily melting capacity of 1,200 tons, which are expected to be gradually put into production in 2021 and 2022, respectively.

2. Investment project in Zhejiang Province, the PRC

With the steady development of the PV industry and the continuous increase in the penetration rate of the bi-facial dual-glass module market in the future, the market demand for PV backplane glass will rise rapidly. In order to expand the PV backplane glass market, optimise the existing product structure, and promote the Company’s long-term sustainable development, the Company intends to invest a total amount of RMB538.6 million in an annual production capacity of 42 million square meters of PV backplane glass. Such project will include the construction of six PV backplane glass tempered coating production lines.

3. Cold repair and reconstruction of the existing furnaces

In order to further increase the production efficiency, the Group has started the cold repair and reconstruction of one PV glass furnaces at Jiaxing Production base, Zhejiang Province, the PRC with a daily melting capacity 600-ton in May 2020. The cold repair is expected to be completed, ignited and put into production in the first quarter of 2021.

The Company will complete the cold repair and ignition of the second float glass furnace in August 2020, which will further lower the cost and increased the production efficiency.

4. Overseas expansion in Haiphong Vietnam

As to the construction of the PV glass production base in Haiphong, Vietnam (the “Vietnam Production Base”), as at 30 June 2020, the Group (i) has completed the factory building infrastructure construction work, and (ii) was carrying out the equipment installation and commissioning work. Affected by the novel coronavirus epidemic (hereinafter referred to as the “epidemic”), in February 2020, the Vietnamese government began to restrict the entry of personnel, which made it impossible for technicians mainly in China to get access to the production base in Vietnam to carry out related work. In May 2020, the Vietnamese government implemented a conditional opening-up policies for inbound personnel, and the management personnel, experts and technicians were given entrance to Vietnam with accepted local quarantine measures. The relevant technicians received the approval for entrance and entered Vietnam in batches. Therefore, in the first half of 2020, the construction of the production base of PV glass in Haiphong, Vietnam was greatly affected, and it is expected that the PV glass furnaces with a daily melting capacity of 1,000 tons will be ignited gradually at the end of 2020.

INDUSTRY OVERVIEW

The influence of COVID-19 was reduced in mainland China and the PV industry is expecting a strong recovery

Affected by the outbreak of the epidemic, the overall PV industry in the first half of 2020 was weak. According to the statistics from China Electricity Council, from January to May 2020, the new PV grid connection installation capacity was 6.15GW, representing a year-on-year decrease of approximately 23%. However, with the overall control of the domestic epidemic and the successive implementation of relevant policies, the demand is expected to recover in the second half of 2020.

On 28 June 2020, the National Energy Administration announced the “Notice on the Results of the 2020 National Bidding Subsidy for PV Power Generation Projects” in the attached “List of Projects to be Included in the 2020 National Bidding Subsidy for PV Power Generation Projects” which showed that there are 434 shortlisted projects for the 2020 PV bidding subsidy, with a total scale of 25.97GW, representing a year-on-year increase of 14%. Among them, the common PV power station is 25.63GW and the full grid distributed project is 0.34GW. In addition, the National Energy Administration has set a time limit for the grid connection of bidding projects, and for those that have not completed fully the grid connection before the end of 2020, the grid connection electricity price subsidy will be reduced by PMB0.01 kWh for each overdue quarter, and for these that have not completed the grid connection after two quarters overdue, the qualification of project subsidy will be canceled. The decrease of subsidy of the subsidy bidding and the total amount of subsidy projects were beyond expectation. The determination of the subsidy scale has set the direction for the industry, which laid a solid foundation for the domestic PV demand in the near future. Therefore, the business prospect of the domestic PV construction will be promising in the second half of 2020, and the industry will witness a new peak season of demand growth.

The demand in overseas is booming quarterly, and recovery of the PV industry is expected in both mainland China and overseas

The spread of the epidemic has caused a temporary strike to the overseas PV demand. However, the epidemic peak in some mainstream PV installed markets has passed, and the demand starts to recover quarterly. After the outbreak of COVID-19 from March to April 2020, the daily newly confirmed cases of COVID-19 in traditional European mainstream PV installed countries such as Germany, France, Italy and Spain, as well as in Asian countries such as Japan and South Korea, have dropped significantly. The demand for key PV markets in Europe, America, Japan and South Korea has slowly recovered, and the global PV market has showed promising demand since the end of the second quarter of 2020.

The resumption of work overseas has been accelerated, and different states in America have begun to resume work and production since the end of April 2020; the Spanish government has resumed the construction of PV power station since 13 April 2020 and Germany, France, Britain, etc. have been in the stage of full resumption of work, and the market demand is gradually recovering.

In terms of the number of modules exported, the export of modules in the first quarter of 2020 was relative sluggish. Due to the improvement of the epidemic since March 2020 in mainland China, the exports of modules increased sharply. Although the outbreak of COVID-19 overseas occurred in April 2020, the export of PV modules continued to increase monthly in May 2020, and exports in European and American countries showed a strong recovery and the decline in emerging markets slowed down.

Business outlook and prospects

According to the statistics from China Photovoltaic Industry Association, from 2008-2019, the PV cumulative grid connection installation capacity in China rapidly increased from 0.14GW to 204GW, with the cumulative installation capacity increasing by more than 1,450 times. According to the relevant data from China Photovoltaic Industry Association and the National Energy Administration, the Kai Yuan Securities Research Institute (開源證券研究所) expects that the national installation capacity will be 35.8GW-48.9GW by 2020. According to the forecast of International Energy Agency (IEA), the global PV cumulative installation capacity is expected to reach 1,721GW by 2030, and will further increase to 4,670GW by 2050, with huge development potential. With the rapid development of the PV industry, the demand for PV glass will increase dramatically.

PV glass, the main product of the Group, is expected to be the main driving force of the Group's development in 2020. In order to meet the increasing market demand and further increase the market share of the Company's PV glass, the Group will accelerate the construction of other projects such as the production bases in Vietnam and Anhui.

According to the relevant statistics from the China Photovoltaic Industry Association, the penetration rate of bi-facial dual-glass module market is only 14% in 2019. However, in the future, with the advantages of bi-facial dual-glass modules such as high power generation efficiency and low attenuation rate gradually being accepted and applied by the market, and the gradual optimization of the installation method, the application scale of bi-facial dual-glass modules will continue to expand. According to China Photovoltaic Industry Association, the annual bi-facial dual-glass module market penetration rate is expected to reach 60% by 2025. Benefited from the continuous increase in the penetration rate of double-glass modules, the PV backplane glass market showed great development potential, and with the steady development of the PV industry and the continuous increase in the penetration rate of the bi-facial dual-glass module market, the market demand for PV backplane glass is expected to rise rapidly. Therefore, the Company plans to use its utmost efforts to seize such market opportunity and establish an annual production capacity of 42 million square meter of glass as covers, so as to quickly occupy the PV backplane glass market and continuously expand the Company's leading edge in the PV glass industry for a stable and rapid business development.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the amounts of operating revenue and net profit of the Group were RMB2,496.2 million and RMB460.8 million, respectively, which increased by 22.69% and 76.28%, respectively, as compared to the same period of 2019 of RMB2,034.6 million and RMB261.4 million.

Revenue

The following table sets out the breakdown of revenue of the Group by product type and geographical location:

Product type	Six months ended 30 June 2020		Six months ended 30 June 2019	
	RMB'000	(%)	RMB'000	(%)
PV glass	2,128,414	85.3%	1,532,093	75.3%
Float glass	4,514	0.2%	98,361	4.8%
Household glass	125,017	5.0%	163,688	8.1%
Architectural glass	183,942	7.4%	202,002	9.9%
Mineral products ⁽¹⁾	38,149	1.5%	29,954	1.5%
Other business ⁽²⁾	16,168	0.6%	8,538	0.4%
Total	<u>2,496,204</u>	<u>100.0%</u>	<u>2,034,636</u>	<u>100.0%</u>

Notes:

- (1) Mineral products refer to ore mined from the Group's quartz rock mine No. 7 in Lingshan-Mujishan, Fengyang County, Chuzhou City, Anhui Province, the PRC.
- (2) Other business refers to rental income and disposal income of waste material.

Location	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
PRC	1,609,232	1,363,738
Other overseas countries		
Other countries in Asia (exclude PRC)	669,513	415,289
Europe	73,761	100,016
North America	131,289	140,772
Others	12,409	14,821
Total	<u>2,496,204</u>	<u>2,034,636</u>

For the six months ended 30 June 2020, the revenue of sales of the Group amounted to RMB2,496.2 million, increased by 22.69% as compared with the same period of 2019. Among them, the revenue of PV glass for the current period increased by 38.92% as compared with the previous period, mainly due to two aspects: (1) benefited from the expansion of production capacity and increased demand for double glass, the sales volume of PV glass increased as compared with the same period of last year; (2) although the price of PV glass declined in the second quarter of 2020, the average price was higher than the same period of last year. The revenue of float glass for the current period decreased by 95.41% compared with the same period of previous year, mainly due to the cold repair of one float glass furnace with an annual production capacity of 600 tons at the end of 2019 as well as more sales of deep processing of float glass by the Company. The revenue of household glass and architectural glass for the current period decreased by 23.62% and 8.94%, respectively, as compared with the same period of last year, mainly due to the decrease in sales order as affected by the epidemic.

Cost of sales

The cost of sales of the Group increased by 5.64% from RMB1,461.8 million for same period of previous year to RMB1,544.3 million for the six months ended 30 June 2020. The increase in revenue of sales primarily led to the increase in cost of sales.

Gross profit and gross profit margin

The gross profit of the Group for the six months ended 30 June 2020 was RMB951.9 million, representing an increase of 66.18% from RMB572.8 million in the same period of last year.

The gross profit margin of the Group for the six months ended 30 June 2020 was 38.14%, representing an increase of 9.99 percentage points from the gross profit margin of 28.15% in the same period of last year.

The following table sets out gross profit of main products of the Group:

Production type	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Gross profit RMB'000	Gross profit margin (%)	Gross profit RMB'000	Gross profit margin (%)
PV glass	852,365	40.05%	440,762	28.77%
Float glass	333	7.38%	17,592	17.88%
Household glass	28,039	22.43%	45,674	27.90%
Architectural glass	35,190	19.13%	47,175	23.35%
Mineral products ^(Note)	22,036	57.76%	17,633	58.87%
Total	<u>937,963</u>	<u>38.14%</u>	<u>568,836</u>	<u>28.08%</u>

Note: Mineral products refer to ore mined from the Group's quartz rock mine No. 7 in Lingshan-Mujishan, Fengyang County, Chuzhou City, Anhui Province, the PRC.

For the six months ended 30 June 2020, the gross profit margin of the PV glass segment of the Group increased by 11.28 percentage points from 28.77% for the six months ended 30 June 2019 to 40.05% for the six months ended 30 June 2020. The increase was mainly due to the increase in average sales price of PV glass products in the first half of 2020 as compared with the first half of 2019 as well as the decrease in the price of some major raw materials.

For the six months ended 30 June 2020, the gross profit margin of the float glass segment of the Group decreased from 17.88% for the six months ended 30 June 2019 to 7.38% for the six months ended 30 June 2020. The decrease was mainly due to the decrease in the average sales price of the float glass as compared with the same period of last year as affected by the epidemic.

For the six months ended 30 June 2020, the gross profit margin of the household glass segment of the Group decreased from 27.90% for the six months ended 30 June 2019 to 22.43% for the six months ended 30 June 2020. The decrease was mainly due to the increase in costs as compared with the same period of last year arising from the increase in proportion of outsourcing raw glass.

Sales expenses

For the six months ended 30 June 2020, the sales expenses amounted to RMB136.3 million, representing an increase of 41.98% from RMB96.0 million for the six months ended 30 June 2019. The increase was mainly due to the increase in transportation costs arising from the increase in sales volume of PV glass in the first half of 2020 as compared with the same period of 2019.

Administrative expenses

For the six months ended 30 June 2020, the administrative expenses of the Group was RMB56.3 million, which was basically the same as RMB52.3 million in the same period of 2019.

Research and development costs

For the six months ended 30 June 2020, the research and development costs of the Group was RMB99.8 million, which was basically the same as RMB104.4 million in the same period of 2019.

Financial costs

For the six months ended 30 June 2020, the financial costs of the Group increased by RMB17.7 million from RMB24.7 million as at 30 June 2019 to RMB42.4 million. It was mainly due to the increase in the interest expenses of the outstanding debts.

Income tax expense

For the six months ended 30 June 2020, the income tax expenses of the Group amounted to RMB104.5 million, and that for the same period in 2019 was RMB49.0 million. The increase in income tax expense was mainly due to the increase in the profit before tax of the Company.

EBITDA and net profit

For the six months ended 30 June 2020, the EBITDA of the Group (earnings before interests, taxes, depreciation and amortization) increased by RMB312.1 million from RMB492.5 million for the six months ended 30 June 2019 to RMB804.6 million. The Group's EBITDA margin was 32.23% for the six months ended 30 June 2020 as compared with 24.21% for the same period of 2019.

For the six months ended 30 June 2020, the net profit increased by RMB199.4 million from RMB261.4 million for the same period of 2019 to RMB460.8 million.

Assets and equity

As at 30 June 2020, the total assets amounted to RMB11,193.4 million, which increased by RMB1,801.1 million, or 19.18% from RMB9,392.3 million as at 31 December 2019. It was mainly due to the proceeds for the A share convertible bonds was available and the increase in fixed assets and construction in progress. As at 30 June 2020, the total equity amounted to RMB5,238.2 million, which increased by RMB725.3 million, or 16.07% from RMB4,512.9 million as at 31 December 2019.

Financial resources and liquidity

As at 30 June 2020, the current ratio was 1.59 as compared with 1.0 as at 31 December 2019.

For the six months ended 30 June 2020, the Group's main sources of funding were cash from operating activities, bank borrowings and proceeds for the issuance of A share convertible bonds. For the six months ended 30 June 2020, net cash inflow from operating activities was RMB803.9 million (six months ended 30 June 2019: RMB107.8 million).

Share Pledge

On 8 April 2020, Ms. Jiang Jinhua, a controlling shareholder of the Group, pledged 126,000,000 non-tradable shares held by her to Mr. Xie Yejiang for the purpose of placing A share convertible corporate bonds. The pledge of the aforesaid non-tradable shares was released on 29 July 2020 and the registration procedures of the release of share pledge have been completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

On 25 May 2020, Mr. Ruan Hongliang, a controlling shareholder of the Group, pledged 139,420,000 non-tradable shares held by him to GF Securities Co., Ltd for the purpose of placing A share convertible corporate bonds. The pledge of the aforesaid non-tradable shares was released on 21 July 2020 and the registration procedures of the release of share pledge have been completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

Asset-liability ratio

As at 30 June 2020, the Group's asset-liability ratio (asset-liability ratio equals to total debt divided by total asset as of the end of the year or period multiplied by 100%). As at 30 June 2020, the asset-liability ratio of the Group was 53.20%, increased by 1.25 percentage as compared to 51.95% as at 31 December 2019.

Capital commitment

For the six months ended 30 June 2020, the capital commitment of the Group was RMB848.9 million, mainly arising from the construction of the PV production bases in Anhui Province, the PRC and Haiphong, Vietnam.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 3,207 employees and most of them were based in the PRC, with a total employee remuneration amounting to RMB147.2 million for the six months ended 30 June 2020, representing 5.90% of the Group's operating revenue for the same period.

The Group maintains a good relationship with its employees and provides training to its employees. New joiners must attend mandatory in-house training. Furthermore, employees may attend external training such as training for manufacturing management, quality control management and human resources management. Remuneration of employees is reviewed periodically by reference to the market rate. After considering performance of the Group and job performance of specific employees, the Group may pay them a discretionary bonus.

The Group makes contributions for its employees in the PRC in relation to the mandatory social security funds including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance and housing provident fund contributions.

CREDIT RISK AND FOREIGN EXCHANGE RISK

Transactions of the Group are mainly settled in RMB, United States dollars, Hong Kong dollars, Vietnam Dong and Japanese yen, whereas, the Group's operating activities are mainly located in the PRC. Bank financing of the Group was settled in RMB and United States dollars for the six months ended 30 June 2020 with annual interest rates ranging from 1.37% to 5.4%. As the Group's trading currency of global certain sales, procurement and financing are not in the RMB but in foreign currencies, the Group is exposed to foreign exchange risk. For the six months ended 30 June 2020, such risks did not have any material impact on the financial performance of the Group.

Furthermore, the Group monitors the interest rate risk, in particular from the variable-rate borrowings with DBS Bank (Hong Kong) Limited of US\$180 million. The Group will closely monitor interest rate risk exposures and purchase appropriate interest rate swap contracts in due course to mitigate risk exposures. During the monitoring period, the Group will enter into interest rate swap contracts to fixed interest rates in order to reduce its exposure to interest rate fluctuation arising from borrowings.

CAPITAL STRUCTURE

As at 30 June 2020, the Company issued a total of 1,950,000,000 shares, of which 1,500,000,000 were A shares and 450,000,000 were H shares.

Corporate Governance and Other Information

Compliance with Corporate Governance Code

In the opinion of the board (the “Board”) of directors (“Directors”) of the Company, the Company had complied with the code provisions in the Corporate Governance Code as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the period from 1 January 2020 to 30 June 2020 except for code provision A.2.1.

Under code provision A.2.1 of the Corporate Governance Code, the role of the chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ruan Hongliang currently holds both position. Throughout the Group’s business history of over 20 years, Mr. Ruan has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board considers that Mr. Ruan is the best candidate for both positions and the present arrangements are beneficial and in the interest of the Company and the shareholders as a whole.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Directors and supervisors of the Company are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all of the Directors and supervisors of the Company have confirmed that they had complied with the required standard set out in the Model Code throughout the period from 1 January 2020 to 30 June 2020.

Interests and Short Positions of Directors, Supervisors and Chief Executives

As at 30 June 2020, the interests and short positions of Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short position which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code contained in the Listing Rules, were as follows:

shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company ⁽²⁾
Directors					
Mr. Ruan Hongliang ⁽³⁾	853,352,000 (L)	A shares	Beneficial owner and parties acting in concert	56.89%	43.76%
	265,420,000 (S)	A shares	Beneficial owner and parties acting in concert	17.69%	13.61%
	524,000 (L)	H shares	Beneficial owner and parties acting in concert	0.12%	0.03%
Ms. Jiang Jinhua ⁽³⁾	853,352,000 (L)	A shares	Beneficial owner and parties acting in concert	56.89%	43.76%
	265,420,000 (S)	A shares	Beneficial owner and parties acting in concert	17.69%	13.61%
	524,000 (L)	H shares	Parties acting in concert	0.12%	0.03%
Mr. Wei Yezhong	17,334,000	A shares	Beneficial owner	1.16%	0.89%
Mr. Shen Qifu	11,556,000	A shares	Beneficial owner	0.77%	0.59%
Supervisors					
Mr. Zheng Wenrong	52,002,000	A shares	Beneficial owner	3.47%	2.69%
Mr. Shen Fuquan	34,668,000	A shares	Beneficial owner	2.31%	1.78%
Mr. Zhu Quanming	34,668,000	A shares	Beneficial owner	2.31%	1.78%

Notes:

- (1) The calculation is based on the total number of 1,500,000,000 A shares or 450,000,000 H shares of the Company in issue as at 30 June 2020.
- (2) The calculation is based on the total number of 1,500,000,000 A shares and the total number of 450,000,000 H shares (i.e. a total of 1,950,000,000 shares) in issue as at 30 June 2020.
- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 A shares and 419,000 H shares. Ms. Jiang Jinhua owns 324,081,600 A shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, and the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 A shares and 105,000 H shares. Mr. Zhao Xiaofei owns 4,800,000 A shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into between Mr. Ruan Hongliang (“Mr. Ruan”), Ms. Jiang Jinhua (“Ms. Jiang”), Ms. Ruan Zeyun (“Ms. Ruan”) and Mr. Zhao Xiaofei (“Mr. Zhao”), each of Mr. Ruan, Ms. Jiang, Ms. Ruan and Mr. Zhao is considered to be interested in 1,118,772,000 A shares and 524,000 H shares under the SFO.

Save as disclosed above, as at 30 June 2020, to the knowledge of the Company, none of the Directors, supervisors and the chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the shares or the underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial shareholders

As at 30 June 2020, the persons or corporations who has an interest or short position in the shares, underlying shares or debentures of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company ⁽²⁾
Ms. Ruan Zeyun ⁽³⁾	853,352,000 (L)	A shares	Beneficial owner and parties acting in concert	56.89%	43.76%
	265,420,000 (S)	A shares	Parties acting in concert	17.69%	13.61%
	524,000 (L)	H shares	Beneficial owner and parties acting in concert	0.12%	0.03%
Mr. Zhao Xiaofei ⁽³⁾	853,352,000 (L)	A shares	Beneficial owner and parties acting in concert	56.89%	43.76%
	265,420,000 (S)	A shares	Parties acting in concert	17.69%	13.61%
	524,000 (L)	H shares	Parties acting in concert	0.12%	0.03%
GF Securities Co., Ltd.	141,533,200 (L)	A shares	Beneficial owner and person having a security interest in shares	9.44%	7.26%
Pacific Asset Management Co., Ltd.	31,525,000 (L)	H shares	Investment Manager	7.01%	1.62%
Shanghai Wealspring Asset Management Co., Ltd.	30,833,000 (L)	H shares	Investment Manager	6.85%	1.58%

shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company ⁽²⁾
Shanghai Greenwoods Asset Management Company Limited ⁽⁴⁾	27,042,000 (L)	H shares	Investment Manager	6.01%	1.39%
Xizang Jingning Corporate Management Company Limited ⁽⁴⁾	27,042,000 (L)	H shares	Interest of controlled corporation	6.01%	1.39%
Zhang Wenfang	26,370,000 (L)	H shares	Beneficial owner	5.86%	1.35%
UBS Group AG ⁽⁵⁾	24,129,135 (L)	H shares	Interest of controlled corporation	5.36%	1.24%
	3,926,248 (S)	H shares	Interest of controlled corporation	0.87%	0.20%
UBS Securities LLC ⁽⁵⁾	186,000 (L)	H shares	Beneficial owner	0.04%	0.01%
	1,100,000 (S)	H shares	Beneficial owner	0.24%	0.06%
UBS Third Party Management Company S.A. ⁽⁵⁾	3,350,000 (L)	H shares	Beneficial owner	0.74%	0.17%
UBS AG ⁽⁵⁾	20,593,135 (L)	H shares	Beneficial owner	4.58%	1.06%
	2,826,248 (S)	H shares	Beneficial owner	0.63%	0.14%
CICC Pucheng Investment Co., Ltd.	23,870,000 (L)	H shares	Beneficial owner	5.30%	1.22%
The Bank of New York Mellon Corporation ⁽⁶⁾	23,757,796 (L)	H shares	Interest of controlled corporation	5.28%	1.22%
	18,572,356 (P)	H shares	Interest of controlled corporation	4.13%	0.95%
The Bank of New York Mellon ⁽⁶⁾	23,757,796 (L)	H shares	Beneficial owner	5.28%	1.22%
China International Capital Corporation Limited ⁽⁷⁾	22,573,000 (L)	H shares	Interest of controlled corporation	5.02%	1.16%
China International Capital Corporation (Hong Kong) Limited ⁽⁷⁾	2,484,000 (L)	H shares	Interest of controlled corporation	0.55%	0.13%
CICC Financial Holdings Limited ⁽⁷⁾	2,000,000 (L)	H shares	Interest of controlled corporation	0.44%	0.10%

shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company ⁽²⁾
CICC Financial Trading Limited ⁽⁷⁾	2,000,000 (L)	H shares	Beneficial owner	0.44%	0.10%
CICC Pucheng Investment Co., Ltd. ⁽⁷⁾	20,089,000 (L)	H shares	Beneficial owner	4.46%	1.03%
China International Capital Corporation Hong Kong Securities Limited ⁽⁷⁾	484,000 (L)	H shares	Beneficial owner	0.11%	0.02%

Notes:

- (1) The calculation is based on the number of 450,000,000 H shares or 1,500,000,000 A shares in issue as at 30 June 2020.
- (2) The calculation is based on the total number of 1,950,000,000 shares in issue as at 30 June 2020.
- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 A shares and 419,000 H shares. Ms. Jiang Jinhua owns 324,081,600 A shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 A shares and 105,000 H shares. Mr. Zhao Xiaofei owns 4,800,000 A shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into between Mr. Ruan Hongliang (“Mr. Ruan”), Ms. Jiang Jinhua (“Ms. Jiang”), Ms. Ruan Zeyun (“Ms. Ruan”) and Mr. Zhao Xiaofei (“Mr. Zhao”), Mr. Ruan, Ms. Jiang, Ms. Ruan and Mr. Zhao jointly owned 1,118,772,000 A shares and 524,000 H shares under the SFO.
- (4) Shanghai Greenwoods Asset Management Company Limited is owned as to 100% by Xizang Jingning Corporate Management Company Limited.
- (5) Each of UBS Securities LLC, UBS Third Party Management Company S.A. and UBS AG is owned as to 100% by UBS Group AG.
- (6) The Bank of New York Mellon is owned as to 100% by The Bank of New York Mellon Corporation.
- (7) China International Capital Corporation (Hong Kong) Limited is owned as to 100% by China International Capital Corporation Limited. CICC Financial Holdings Limited is owned as to 100% by China International Capital Corporation (Hong Kong) Limited. CICC Financial Trading Limited is owned as to 100% by CICC Financial Holdings Limited. CICC Pucheng Investment Co., Ltd. is owned as to 100% by China International Capital Corporation Limited. China International Capital Corporation Hong Kong Securities Limited is owned as to 100% by China International Capital Corporation (Hong Kong) Limited.

Save as disclosed above, as at 30 June 2020, so far as is known to the Directors, there is no other person (other than the Directors or supervisors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

China Securities Regulatory Commission (“CSRC”) Main Board Issuance Approval Committee (中國證監會主板發行審核委員會) reviewed the application of the Company for the proposed issuance of A share convertible bonds on 9 January 2020. According to the result of the review published on the website of CSRC, the Company’ application for the proposed issuance of A share convertible bonds has been approved. The Company has received the written approval from the CSRC regarding the proposed issuance of A share convertible bonds. The issuance of A share convertible bonds completed in June 2020.

On 12 June 2020 and 15 July 2020, subject to the shareholders’ approval at the 2020 first extraordinary general meeting, the 2020 second A share class meeting and the 2020 second H share class meeting which will be held on 10 August 2020, the Board has approved the proposed non-public issuance of A shares and its revised version. The number of shares to be issued under the non-public issuance shall not be more than 30% of the total A shares capital of the Company before the proposed issuance, i.e. not more than 450 million shares (inclusive).

Except as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the period from 1 January 2020 to 30 June 2020.

Alignment in the Disclosure of Financial Statements in Accordance with the CASBE

Since the date on which the H shares of the Company became listed on the Stock Exchange, the Company has been preparing its financial statements under both the China Accounting Standards for Business Enterprises (“CASBE”) and the International Financial Reports Standards (“IFRS”). According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Stock Exchange in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the CASBE and PRC audit firms approved by the Ministry of Finance (“MOF”) and the CSRC are allowed to audit these financial statements in accordance with the CASBE.

In view of such arrangement and the completion of the A share offering, and in order to improve the efficiency and to reduce the cost of disclosure and audit expense, the Board proposed to change the accounting standards of the international financial statements of the Company from the IFRS to CASBE. The shareholders of the Company approved the proposal on 24 June 2019. For details, please refer to the announcements of the Company dated 8 May 2019 and 24 June 2019, and the circular of the Company dated 9 May 2019. Starting from 2019, the financial statements of the Company have been prepared in accordance with CASBE and the relevant regulations. This interim report has been prepared in accordance with CASBE.

Taxation

Holders of A shares

In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) (《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for shares of listed companies acquired by individuals from public offerings or transfer of shares in the market, where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax; where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income and where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For dividends distributed by listed companies, where the period of individual shareholding is within one year (inclusive), the listed companies shall not withhold the individual income tax temporarily. The tax payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with duration of its holding period. Custodian of shares including securities companies will withhold the amount from individual accounts and transfer the tax to China Securities Depository and Clearing Corporation Limited. China Securities Depository and Clearing Corporation Limited shall transfer the tax to the listed companies within 5 working days of the next month, and the listed companies shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period in that month.

Resident enterprise shareholders of A shares shall report and pay for the enterprise income tax of dividends by themselves.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice of the State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)). QFII shareholders entitled to preferential tax treatment under tax treaties (arrangements) shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they receive the dividends, and tax rebates will be executed under tax treaties upon verification carried out by competent tax authorities.

For non-resident enterprise shareholders of A shares except the above-mentioned QFII, listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Tentative Measures for Administration of Withholding at the Source of Income Tax of Non-resident Enterprises (Guo Shui Fa [2009] No. 3) (《非居民企業所得稅源泉扣繳管理暫行辦法》(國稅發[2009]3號)) and the Response of the State Administration of Taxation Concerning Questions on Enterprise Income Tax over Dividend of B-shares and Other shares Received by Non-resident Enterprises (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)). Non-resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127)(《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the Shenzhen Stock Exchange, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

Holders of H shares

In accordance with the requirements of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises.

Pursuant to the requirements of the Notice of the State Administration of Taxation on Matters Concerning Withholding Enterprise Income Tax When China Resident Enterprises Distribute Dividends to Foreign Nonresident Enterprise shareholders of H shares (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), distributing dividends to foreign non-resident enterprise shareholders of H shares for 2008 and for the years onwards shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Upon receipt of such dividends, an overseas nonresident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shanghai-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shanghai-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shenzhen-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months could be exempted from enterprise income tax according to law.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

Dividends

For the six months ended 30 June 2020, the Board recommended an ordinary interim dividend of RMB6.5 cents per share (before tax) (for reference only, equivalent to about HK7.2 cents per share (before tax) (the “2020 Interim Dividend”)) and is subject to the approval by the 2020 second extraordinary general meeting of shareholders of the Company (“2020 Second EGM”) to be convened. As the date of the 2020 Second EGM is yet to be set, the Company will announce in due course the details of the dates of closure of register of members, the record date and the payment date in a separate announcement.

Dividends on A shares will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People’s Bank of China during the five business days prior to the date of extraordinary general meeting.

Review of the Interim Report by the Audit Committee of the Company

The Company’s interim report for the six months ended 30 June 2020 have not been audited but have been reviewed by the Company’s audit committee, comprising its three independent non-executive Directors.

Consolidated Balance Sheet

RMB

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets:		
Cash at bank and on hand	2,273,033,122.88	613,000,364.84
Derivative financial assets	915,189.95	1,117,793.99
Bills receivables	1,686,415,473.27	1,976,383,235.76
Trade receivables	1,033,813,885.27	1,107,245,636.40
Trade payables	167,734,906.80	93,183,465.96
Other payables	3,974,496.21	3,684,181.68
Inventories	582,657,677.12	483,619,647.17
Other current assets	137,009,798.63	174,510,375.27
Total current assets	5,885,554,550.13	4,452,744,701.07
Non-current assets:		
Long-term equity investment	11,941,580.62	—
Investment properties	20,949,436.63	21,665,171.83
Fixed assets	3,227,193,329.83	3,070,665,219.42
Construction in progress	1,048,084,198.77	936,828,544.14
Right-of-use asset	188,912,864.52	188,930,554.53
Intangible assets	470,357,497.17	427,130,471.49
Long-term prepaid expenses	5,848,681.59	6,935,053.37
Deferred tax assets	23,074,689.50	18,458,589.23
Other non-current assets	311,448,224.44	268,922,264.83
Total non-current assets	5,307,810,503.07	4,939,535,868.84
Total assets	11,193,365,053.20	9,392,280,569.91

RMB

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current liabilities:		
Short-term borrowings	1,510,920,439.31	1,316,277,482.79
Derivative financial liabilities	942,273.33	917,754.01
Bills payables	332,658,368.06	338,562,948.43
Trade payables	1,611,508,534.40	1,854,705,642.59
Contract liabilities	33,771,572.97	24,993,817.16
Payroll payable	31,522,955.98	31,758,290.80
Tax payable	94,927,024.85	129,352,280.77
Other payables	60,264,048.15	45,543,202.52
Including: Interests payable	4,193,069.85	4,831,749.01
Non-current liabilities due within one year	20,116,906.16	711,977,777.21
Total current liabilities	3,696,632,123.21	4,454,089,196.28
Non-current liabilities:		
Long-term borrowings	934,195,248.33	281,902,410.30
Bonds payables	1,191,996,491.65	–
Lease liabilities	10,952,196.15	11,016,173.42
Deferred income	39,224,064.72	45,408,644.70
Deferred tax liabilities	82,193,797.69	86,975,757.21
Total non-current liabilities	2,258,561,798.54	425,302,985.63
Total liabilities	5,955,193,921.75	4,879,392,181.91
shareholders' equity		
share capital	487,500,000.00	487,500,000.00
Other equity instrument	254,089,565.81	–
Capital reserve	839,115,113.41	839,115,113.41
Other comprehensive income	14,654,978.74	5,935,642.83
Special reserve	13,478,481.72	11,810,858.31
Surplus reserve	193,555,355.70	193,555,355.70
Undistributed profit	3,435,777,636.07	2,974,971,417.75
Total equity attributable to shareholders of the parent company	5,238,171,131.45	4,512,888,388.00
Minority interests	–	–
Total shareholders' equity	5,238,171,131.45	4,512,888,388.00
Total liabilities and shareholders' equity	11,193,365,053.20	9,392,280,569.91

Balance Sheet of the Company

RMB

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets:		
Cash at bank and on hand	346,134,565.24	223,564,789.23
Derivative financial assets	–	379,492.22
Bills receivables	1,469,775,336.90	1,567,902,478.98
Trade receivables	797,980,855.25	778,907,971.16
Trade payables	48,192,755.84	45,197,178.86
Other receivables	539,758,708.01	356,091,353.75
Inventories	226,465,762.03	209,640,163.73
Other current assets	7,430,339.31	9,673,749.05
Total current assets	3,435,738,322.58	3,191,357,176.98
Non-current assets:		
Long-term equity investments	1,044,578,923.62	1,043,137,343.00
Fixed assets	900,254,401.26	994,488,315.18
Construction in progress	263,505,858.17	163,647,371.24
Intangible assets	167,180,936.08	170,704,769.30
Long-term prepaid expenses	52,469.85	150,172.37
Deferred tax assets	10,671,316.43	6,379,124.69
Other non-current assets	1,097,723,188.66	567,405,500.94
Total non-current assets	3,483,967,094.07	2,945,912,596.72
Total assets	6,919,705,416.65	6,137,269,773.70

RMB

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current liabilities:		
Short-term borrowings	646,398,886.10	736,237,118.11
Derivative financial liabilities	515,961.54	–
Bills payables	226,988,973.29	190,000,000.00
Trade payables	954,823,515.02	1,483,614,555.57
Contract liabilities	22,346,967.73	17,454,654.26
Payroll payable	18,224,923.92	18,089,920.60
Tax payable	14,452,993.31	53,925,402.29
Other payables	193,597,857.12	338,332,869.33
Including: Interests payables	2,205,506.71	4,512,898.61
Total current liabilities	2,077,350,078.03	2,837,654,520.16
Non-current liabilities:		
Bonds payables	1,191,996,491.65	–
Deferred income	29,015,193.93	34,543,339.29
Total non-current liabilities	1,221,011,685.58	34,543,339.29
Total liabilities	3,298,361,763.61	2,872,197,859.45
shareholders' equity		
share capital	487,500,000.00	487,500,000.00
Other equity instrument	254,089,565.81	–
Capital reserve	839,115,113.41	839,115,113.41
Surplus reserve	193,555,355.70	193,555,355.70
Undistributed profit	1,847,083,618.12	1,744,901,445.14
Total shareholders' equity	3,621,343,653.04	3,265,071,914.25
Total liabilities and shareholders' equity	6,919,705,416.65	6,137,269,773.70

Consolidated Income Statement

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	RMB (Unaudited)	RMB (Unaudited)
I. Operating revenue	2,496,203,887.51	2,034,635,569.48
Less: Operating costs	1,544,250,782.93	1,461,798,658.59
Taxes and surcharges	17,218,688.57	12,600,562.03
Selling expenses	136,267,495.93	95,987,142.10
General and administrative expenses	56,260,196.95	52,316,895.20
Research and development expenses	99,793,388.37	104,391,004.61
Financial expenses	42,390,171.78	24,653,412.20
Including: Interest expenses	50,210,453.90	31,390,102.09
Interest income	6,892,913.22	10,546,044.12
Add: Other income	12,717,432.04	20,070,459.20
Investment income (loss)	1,853,180.62	6,939,596.25
Profit (loss) arising from changes in fair value	(227,123.36)	(3,154,045.30)
Credit impairment loss	(32,134,369.88)	(5,522,248.54)
Asset impairment loss	(16,277,727.81)	(281,846.65)
Gains (losses) on disposal of assets	(3,625,041.18)	1,436,320.30
II. Operating profit	562,329,513.41	302,376,130.01
Add: Non-operating income	6,350,359.59	8,075,902.33
Less: Non-operating expenses	3,347,233.69	45,236.23
III. Total profit	565,332,639.31	310,406,796.11
Less: Income tax expense	104,526,420.99	48,987,309.21
IV. Net profit	460,806,218.32	261,419,486.90
Net profit attributable to equity owners of parent company	460,806,218.32	261,419,486.90
Profit or loss attributable to minority interests	-	-

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	RMB (Unaudited)	RMB (Unaudited)
V. Other comprehensive income, net of tax	8,719,335.91	(2,216,364.96)
Other comprehensive income, net of tax attributable to the owner of parent company	8,719,335.91	(2,216,364.96)
(1) Other comprehensive income that can not be reclassified to profit or loss	–	–
(2) Other comprehensive income that will be reclassified to profit or loss	8,719,335.91	(2,216,364.96)
– Exchange differences on foreign currency financial statements translation	8,719,335.91	(2,216,364.96)
Other comprehensive income, net of tax attributable to minority interests	–	–
VI. Total comprehensive income	469,525,554.23	259,203,121.94
Attributable to the shareholders of the parent company	469,525,554.23	259,203,121.94
Attributable to the minority interests	–	–
VII. Earnings per share		
(1) Basic earnings per share	0.24	0.14
(2) Diluted earnings per share	N/A	N/A

Income Statements of the Company

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	RMB (Unaudited)	RMB (Unaudited)
I. Operating revenue	1,905,427,785.33	1,487,389,522.68
Less: Operating costs	1,605,010,896.84	1,277,932,677.59
Taxes and surcharges	5,191,012.75	4,491,636.26
Selling expenses	32,227,275.29	27,789,371.06
General and administrative expenses	33,428,449.45	35,613,808.44
Research and development expenses	51,500,336.70	49,848,427.12
Financial expenses	17,484,476.03	9,870,506.16
Including: Interest expenses	18,722,640.37	14,186,809.42
Interest income	4,817,822.16	7,666,703.79
Add: Other income	7,421,138.17	10,833,804.60
Investment income	641,580.62	1,759,200.00
Profit (loss) arising from changes in fair value	(895,453.76)	(1,848,925.38)
Credit impairment loss	(33,417,190.77)	(4,304,021.92)
Asset impairment loss	(16,091,417.21)	(492,456.99)
Losses on disposal of assets	(3,431,194.90)	93,519.36
II. Operating profit	114,812,800.42	87,884,215.72
Add: Non-operating income	4,212,405.12	1,618,026.61
Less: Non-operating expenses	2,206,178.00	45,000.00
III. Total profit	116,819,027.54	89,457,242.33
Less: Income tax expenses	14,636,854.56	7,496,948.29
IV. Net profit	102,182,172.98	81,960,294.04
V. Other comprehensive income, net of tax	—	—
VI. Total comprehensive income	102,182,172.98	81,960,294.04

Consolidated Statement of Cash Flow

	<i>RMB</i>	
	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	RMB	RMB
	(Unaudited)	(Unaudited)
I. Cash flow from operating activities:		
Cash received from sale of goods or rendering of services	3,018,678,312.23	1,749,688,415.44
Cash received from refunds of taxes	80,388,893.99	66,002,247.55
Cash received relating to other operating activities	20,676,124.87	69,264,075.62
Subtotal of cash inflows	3,119,743,331.09	1,884,954,738.61
Cash paid for goods and services	1,764,193,338.39	1,375,785,999.76
Cash paid to and on behalf of employee	147,240,587.37	135,759,045.23
Cash paid for payments of taxes and surcharges	185,209,539.92	75,129,629.38
Cash paid relating to other operating activities	219,228,583.72	190,457,401.88
Subtotal of cash outflows	2,315,872,049.40	1,777,132,076.25
Net cash flow from operating activities	803,871,281.69	107,822,662.36
II. Cash flow from investing activities:		
Cash received from disposal of investments	—	—
Cash received from returns on investments	1,399,400.00	7,004,796.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,717,801.30	3,159,287.46
Cash received relating to other investing activities	245,018,781.29	50,309,478.46
Subtotal of cash inflows	248,135,982.59	60,473,562.17
Cash paid to purchase fixed assets, intangible assets and other long-term assets	688,168,600.13	491,130,774.59
Cash paid relating to investment	11,300,000.00	
Cash paid relating to other investing activities	1,516,140,033.76	69,045,662.60
Subtotal of cash outflows	2,215,608,633.89	560,176,437.19
Net cash flow from investing activities	(1,967,472,651.30)	(499,702,875.02)

	For the six months ended 30 June 2020 RMB (Unaudited)	For the six months ended 30 June 2019 RMB (Unaudited)
III. Cash flow from financing activities:		
Cash received from capital contribution	–	267,000,000.00
Cash received from borrowings	1,783,396,953.77	701,884,183.12
Cash received from issued bonds	1,444,025,000.00	
Cash received relating to other financing activities	165,787,352.07	107,801,794.57
Subtotal of cash inflows	3,393,209,305.84	1,076,685,977.69
Cash paid for payment of borrowings	1,631,404,753.06	469,747,908.22
Cash paid for distribution of dividends, and profits or payment of interest	53,655,105.74	52,400,629.00
Cash paid relating to other financing activities	218,802,494.36	148,389,877.69
Subtotal of cash outflows	1,903,862,353.16	670,538,414.91
Net cash flow from financing activities	1,489,346,952.68	406,147,562.78
IV. Effect of foreign exchange rate changes on cash and cash equivalents	4,590,467.71	508,940.04
V. Net increase (decrease) in cash and cash equivalents	330,336,050.78	14,776,290.16
Add: Cash and cash equivalents at the beginning of the year	479,068,091.59	528,750,004.08
VI. Cash and cash equivalents at the end of the year	809,404,142.37	543,526,294.24

Statements of Cash Flow of the Company

	<i>RMB</i>	
	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	RMB	RMB
	(Unaudited)	(Unaudited)
I. Cash flow from operating activities:		
Cash received from sale of goods or rendering of services	2,054,489,817.16	1,459,766,592.25
Cash received from refunds of taxes	14,630,556.59	26,909,012.29
Cash received relating to other operating activities	11,810,020.09	14,768,259.70
Subtotal of cash inflows	2,080,930,393.84	1,501,443,864.24
Cash paid for goods and services	2,110,881,606.08	1,309,673,208.26
Cash paid to and on behalf of employee	71,674,482.06	70,039,044.39
Cash paid for payments of taxes and surcharges	75,543,101.37	16,569,102.78
Cash paid relating to other operating activities	69,826,685.53	79,071,657.61
Subtotal of cash outflows	2,327,925,875.04	1,475,353,013.04
Net cash flow from operating activities	(246,995,481.20)	26,090,851.20
II. Cash flow from investing activities:		
Cash received from disposal of investments	-	-
Cash received from returns on investments	-	1,759,200.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,963,825.65	100,367.65
Cash received relating to other investing activities	170,291,767.40	35,804,771.87
Subtotal of cash inflows	172,255,593.05	37,664,339.52
Cash paid to purchase fixed assets, intangible assets and other long-term assets	179,192,148.94	92,502,307.30
Net cash invested in establishment of subsidiary or other operating units	800,000.00	-
Cash paid relating to other investing activities	1,077,446,921.79	189,767,427.67
Subtotal of cash outflows	1,257,439,070.73	282,269,734.97

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	RMB	RMB
	(Unaudited)	(Unaudited)
Net cash flow from investing activities	(1,085,183,477.68)	(244,605,395.45)
III. Cash flow from financing activities:		
Cash received from capital contribution	–	267,000,000.00
Cash received from borrowings	570,793,633.77	304,002,052.31
Cash received from issued bonds	1,444,025,000.00	–
Cash received relating to other financing activities	193,894,031.98	71,381,499.98
Subtotal of cash inflows	2,208,712,665.75	642,383,552.29
Cash paid for payment of borrowings	660,631,865.78	251,365,382.85
Cash paid for distribution of dividends, and profits or payment of interest	16,365,672.91	17,639,780.60
Cash paid relating to other financing activities	95,854,316.13	217,995,697.14
Subtotal of cash outflows	772,851,854.82	487,000,860.59
Net cash flow from financing activities	1,435,860,810.93	155,382,691.70
IV. Effect of foreign exchange rate changes on cash and cash equivalents	902,138.48	523,795.47
V. Net increase (decrease) in cash and cash equivalents	104,583,990.53	(62,608,057.08)
Add: Cash and cash equivalents at the beginning of the year	158,928,035.19	171,799,091.46
VI. Cash and cash equivalents at the end of the year	263,512,025.72	109,191,034.38

Consolidated Statement of Changes in shareholders' Equity

For the six months ended 30 June 2020

RMB
(Unaudited)

Items	Paid-in capital (or share capital)	Other equity instrument		Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Minority interest	Total shareholders' equity
			Other							
I. Opening balance of the current half year	487,500,000.00	-		839,115,113.41	5,935,642.83	11,810,858.31	193,555,355.70	2,974,971,417.75	-	4,512,888,388.00
II. Increase/decrease for the current half year (decrease stated with "-")										
(I) Total comprehensive income	-	-	-		8,719,335.91			460,806,218.32	-	469,525,554.23
(II) Contribution and withdrawal of capital by owners	-	254,089,565.81	-						-	254,089,565.81
1. Contribution of capital by other equity instrument owners	-	254,089,565.81	-						-	254,089,565.81
(III) Special reserve	-	-	-			1,667,623.41			-	1,667,623.41
1. Provisions of special reserves	-	-	-			1,667,623.41			-	1,667,623.41
III. Closing balance of the current half year	<u>487,500,000.00</u>	<u>254,089,565.81</u>		<u>839,115,113.41</u>	<u>14,654,978.74</u>	<u>13,478,481.72</u>	<u>193,555,355.70</u>	<u>3,435,777,636.07</u>	<u>-</u>	<u>5,238,171,131.45</u>

For the six months ended 30 June 2019

RMB
(Unaudited)

Items	Paid-in capital (or share capital)	Other equity instrument Other	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Minority interest	Total shareholders' equity
I. Opening balance of the current half year	450,000,000.00	-	622,230,162.41	(4,685,190.57)	9,425,627.41	168,158,907.37	2,423,524,157.41	-	3,668,653,664.03
II. Increase/decrease for the current half year (decrease stated with "-")									
(I) Total comprehensive income	-	-	-	(2,216,364.96)	-	-	261,419,486.90	-	259,203,121.94
(II) Contribution and withdrawal of capital by owners	37,500,000.00	-	216,884,951.00	-	-	-	-	-	254,384,951.00
1. Common share contributed by owners	37,500,000.00	-	216,884,951.00	-	-	-	-	-	254,384,951.00
(III) Profit distribution	-	-	-	-	-	-	(87,750,000.00)	-	(87,750,000.00)
1. Appropriation to owners (or shareholders)	-	-	-	-	-	-	(87,750,000.00)	-	(87,750,000.00)
(IV) Special reserve	-	-	-	-	1,495,914.40	-	-	-	1,495,914.40
1. Provision of special reserve	-	-	-	-	1,495,914.40	-	-	-	1,495,914.40
III. Closing balance of the current half year	<u>487,500,000.00</u>	<u>-</u>	<u>839,115,113.41</u>	<u>(6,901,555.53)</u>	<u>10,921,541.81</u>	<u>168,158,907.37</u>	<u>2,597,193,644.31</u>	<u>-</u>	<u>4,095,987,651.37</u>

Statement of Changes in shareholders' Equity of the Company

For the six months ended 30 June 2020

RMB
(Unaudited)

Items	Paid-in capital (or share capital)	Other equity instrument	Capital reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Other				
I. Opening balance of the current half year	487,500,000.00	-	839,115,113.41	193,555,355.70	1,744,901,445.14	3,265,071,914.25
II. Increase/decrease for the current half year (decrease stated with "-")						
(I) Total comprehensive income	-	-	-	-	102,182,172.98	102,182,172.98
(II) Contribution and withdrawal of capital by owners	-	254,089,565.81	-	-	-	254,089,565.81
1. Contribution of capital by other equity instrument owners	-	254,089,565.81	-	-	-	254,089,565.81
III. Closing balance of the current half year	<u>487,500,000.00</u>	<u>254,089,565.81</u>	<u>839,115,113.41</u>	<u>193,555,355.70</u>	<u>1,847,083,618.12</u>	<u>3,621,343,653.04</u>

For the six months ended 30 June 2019

RMB
(Unaudited)

Items	Paid-in capital (or share capital)	Other equity instrument	Capital reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Other				
I. Opening balance of the current half year	450,000,000.00	-	622,230,162.41	168,158,907.37	1,656,733,410.15	2,897,122,479.93
II. Increase/decrease for the current half year (decrease stated with “-”)						
(I) Total comprehensive income	-	-	-	-	81,960,294.04	81,960,294.04
(II) Contribution and withdrawal of capital by owners	37,500,000.00	-	216,884,951.00	-	-	254,384,951.00
1. Common share contributed by owners	37,500,000.00	-	216,884,951.00	-	-	254,384,951.00
(III) Profit distribution	-	-	-	-	(87,750,000.00)	(87,750,000.00)
1. Appropriation to owners (or shareholders)	-	-	-	-	(87,750,000.00)	(87,750,000.00)
III. Closing balance of the current half year	<u>487,500,000.00</u>	<u>-</u>	<u>839,115,113.41</u>	<u>168,158,907.37</u>	<u>1,650,943,704.19</u>	<u>3,145,717,724.97</u>

Notes to the Financial Statements

For six months ended 30 June 2020

(I) CORPORATE INFORMATION

1. Company Overview

Flat Glass Group Co., Ltd. (the “Company”) was established on 24 June 1998 with its registered address at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province. On 29 December 2005, the Company was converted into a joint stock limited liability company and changed its name to Zhejiang Flat Glass & Mirror Co., Ltd.* (浙江福萊特玻璃鏡業股份有限公司). On 23 March 2011, the Company was renamed as Flat Solar Glass Group Co., Ltd.* (福萊特光伏玻璃集團股份有限公司) and subsequently renamed as Flat Glass Group Co., Ltd.* (福萊特玻璃集團股份有限公司) on 10 October 2014.

On 26 November 2015, the Company issued 450,000,000 overseas listed foreign shares (H shares) with a par value of RMB0.25 per share through global public offering. On the same date, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited.

On 23 November 2018, the Company received the Approval of the Initial Public Offering of shares of Flat Glass Group Co., Ltd. (CSRC Approval [2018] No.1959) issued by China Securities Regulatory Commission, that the Company can issue no more than 150,000,000 ordinary shares (A shares) and list on Shanghai Stock Exchange. On 15 February 2019, the Company issued 150,000,000 RMB ordinary shares (A shares) with a par value of RMB0.25 per share at the issue price of RMB2.00 per share. After the change, the registered capital was RMB487,500,000.00.

The principal activities of the Company and its subsidiaries (the “Group”) are the manufacturing and sales of glass products.

The de facto controllers of the Company are Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, of whom Mr. Ruan Hongliang and Ms. Jiang Jinhua are directors of the Company.

2. Scope of the Consolidated Financial Statements

On 4 August 2020, the Company's company and consolidated financial statements have been approved by the Board of Directors of the Company.

Details of the scope of consolidated financial statements are set out in 9 "Interests in other entities" to the financial statements.

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has implemented the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter referred to as the "CASBE") and has also disclosed relevant financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (revised in 2014). In addition, the financial statements also include disclosures required by the Companies Ordinance and the Listing Rules of the stock exchange of Hong Kong.

Going concern

The Group has assessed the ability to continue to operate since 6 June 2020 and is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability to continue as a going concern. So the financial statements have been prepared on a going concern basis.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The principal activities of the Group are the manufacturing and sales of glass products. Therefore, the accounting policies for recognition of revenue, impairment of financial instruments, depreciation of fixed assets and amortization of intangible assets are based on the characteristics of the glass manufacturing industry.

1. Statement of Compliance with CASBE

The financial statements of the Company have been prepared in accordance with the CASBE, and present truly and completely the consolidated and the Company's financial position as at 30 June 2020 and the consolidated and the Company's results of operations, the consolidated and the Company's changes in shareholders' equity and the consolidated and the Company's cash flows in the half year of 2020.

2. Accounting Period

The accounting year of the Group is the calendar year, i.e. from 1 January to 31 December of each year.

3. Operating Cycle

Operating cycle refers to the period from the purchase of assets used for processing to the realization of cash or cash equivalents. The Group's operating cycle usually takes approximately 12 months.

4. Functional Currency

Renminbi ("RMB") is the currency in the primary economic environment in which the Company and its subsidiaries other than the Vietnam subsidiary operate, the Company and its subsidiaries other than the Vietnam subsidiary use RMB as their functional currency. The Company's Vietnam subsidiary determines VND as its functional currency based on the currency in the primary economic environment in which it operates. The currency used by the Company in preparing the financial statements is RMB.

5. Business Combinations

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities acquired in a business combination are measured at their carrying amount of the combined party at the combination date. The difference between the carrying amount of the net assets acquired by the combining party and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued) is adjusted to share premium under capital reserve, if the share capital premium is insufficient to offset the difference, the retained earnings will be adjusted.

The costs that are directly attributable to the business combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the combination.

The cost of combination is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary fees incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other related administrative expenses attributable to the business combination are charged to profit or loss in the period in which they are incurred.

The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition conditions acquired by the acquirer in a business combination, are measured at their fair values at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as an asset as goodwill and is initially measured at cost. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference is recognised in profit or loss.

Goodwill occurred as a result of combination shall be recognised separately in the consolidated financial statements and measured at cost less accumulated impairment provision.

6. Preparation of Consolidated Financial Statements

The scope of consolidation for the consolidated financial statements is determined based on control. Control refers to the power that the investor has over the investee; it means that the investor enjoys variable returns by taking part in the relevant activities of the investee and is capable of using its power over the investee to influence the amount of return. In case of changes in the relevant elements involved in the aforesaid definition of control as a result of the changes in facts and circumstance, the Group will conduct re-assessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined in accordance with the Company's unified accounting policies and accounting periods.

All significant accounts and transactions between the Company and its subsidiaries and among the subsidiaries are eliminated on consolidation.

The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" under shareholders' equity in the consolidated balance sheet. The portion of a subsidiary's net profit or loss for the period attributable to minority interests is presented as "profit or loss attributable to minority interests" under net profit in the consolidated income statement.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion in the opening balance of owners' equity of the subsidiary, the balance is still allocated against minority interests.

A transaction is accounted for as an equity transaction when the purchase of minority interest in a subsidiary or the disposal of part of equity investment in a subsidiary does not result in the Group losing control over the subsidiary, and the carrying amount of equity attributable to the owner of the Company and minority shareholders will be adjusted to reflect the changes of their related interests in the subsidiary. The difference between the adjusted equity of minority shareholders and the fair value of the consideration paid/received is adjusted to capital reserve. If the capital reserve is insufficient to offset the difference, the retained earnings will be adjusted.

7. Recognition Criteria of Cash and Cash Equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Translation of Foreign Currency Business and Financial Statements Denominated in Foreign Currency

8.1 Foreign currency business

Foreign currency transactions are translated at the spot exchange rate on the date of transaction at initial recognition.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that: (1) exchange differences related to special borrowings denominated in foreign currency eligible for capitalization shall be capitalized into the cost of the related assets during the capitalization period; (2) exchange differences on hedging instruments for the purpose of hedging against foreign currency risk are accounted for using hedge accounting; and (3) exchange differences arising from changes in carrying amount (other than amortised cost) of monetary items at fair value through comprehensive income are recognised in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to functional currency at the spot exchange rate at the date of the transaction. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined. The difference between the translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes in exchange rates) and is recognised in profit or loss or as other comprehensive income.

8.2 Translation of foreign currency financial statements

For the purpose of preparing the consolidated financial statements, the foreign currency financial statements of overseas operations are translated into RMB financial statements using the following method: all assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; equity items converted at the spot exchange rate at the time of occurrence; all items in the income statement and items reflecting the amount of profit distribution are translated at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions; the difference between assets and the sum of liabilities and shareholders' equity after translation is recognised in other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciliation item and presented separately in the statement of cash flows as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the actual figures of prior year are presented at the translated amounts in the prior year's financial statements.

9. Financial Instruments

The Group recognises a financial asset or a financial liability when it becomes a party to a financial instrument contract.

Where financial assets are purchased or sold in a regular way, assets to be received and liabilities to be borne are recognised on the date of transaction, or assets sold are derecognised on the date of transaction.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss in the period in which they are incurred. For other categories of financial assets and financial liabilities, the related transaction costs are included in the initially recognised amount. When the Group initially recognizes receivables that do not contain a significant financing component or do not consider the financing component in a contract not exceeding one year in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue (the “Revenue Standard”), the Group initially measures the receivables at the transaction price as defined in the Revenue Standard.

Effective interest rate method is the method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that discounts estimated future cash flows through the expected duration of a financial asset or a financial liability to the carrying amount of the financial asset or to the amortised cost of the financial liability. In determining the effective interest rate, the expected cash flow is estimated on the basis of all contractual terms of the financial asset or financial liability (such as early repayment, extension, call options or other similar options, etc.) without taking into account the expected credit loss.

The amortised cost of a financial asset or a financial liability is the amount initially recognised for a financial asset or a financial liability net of principal repaid, plus or less the cumulative amortised amount arising from amortization of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

9.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

If the contractual terms of the financial asset stipulate that the cash flows generated on a specific date are solely payments of the principal and the interest on the principal amount outstanding and the financial asset is managed by the Group in a business model aimed at collecting contractual cash flows, the Group shall classify the financial asset into the financial asset measured at amortised cost. Such financial assets mainly include cash and bank balances, bills receivable and receivables, other receivables, etc.

If the contractual terms of the financial asset stipulate that the cash flows generated on a specific date are solely payments of the principal and the interest on the principal amount outstanding and the financial asset is managed by the Group in a business model aimed at both collecting contractual cash flows and selling such financial assets, the Group shall classify the financial asset into the financial asset at FVTOCI.

On initial recognition, the Group may, based on an individual financial asset, irrevocably designate a non-tradable equity instrument investment other than contingent consideration recognised in business combination not involving enterprises under common control as financial asset at FVTOCI.

The Group's purpose of holding the financial assets is for trading if one of the following conditions is satisfied:

- The purpose of acquiring the financial assets is to sell the assets in the near future.
- The relevant financial assets are part of a portfolio of identified financial instruments that are centrally managed on initial recognition, and there is objective evidence of actually a recent short-term profit-taking model.
- The relevant financial assets are derivatives, except for derivatives defined under financial guarantee contracts and derivatives designated as effective hedging instruments.

Financial assets at FVTPL include financial assets classified as at FVTPL and financial assets designated as at FVTPL. The Group presents derivative financial assets separately.

- Financial assets that do not meet the classification criteria for financial assets at amortised cost or financial assets at FVTOCI are classified as financial assets at FVTPL.
- On initial recognition, the Group may irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch or when the criteria for the hybrid contract with embedded derivatives are met.

9.1.1 Financial assets measured at amortised cost

Financial asset at amortised cost is subsequently measured at amortised cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognised in profit or loss.

The Group recognises interest income on financial assets measured at amortised cost using the effective interest method. The Group determines the interest income based on the carrying amount of financial assets multiplied by the effective interest rate, except for:

- For purchased or originated credit impaired financial assets, the Group recognises their interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- For purchased or originated financial assets without credit impairment but with credit impairment incurred in subsequent periods, the Group calculates and determines its interest income based on amortised cost of the financial asset and the effective interest rate in subsequent periods. If the credit risk of the financial instrument improves in subsequent periods and the financial instrument is no longer credit impaired and the improvement can be linked to an event occurring after the application of the above requirements, the Group will determine the interest income based on the effective interest rate multiplied by the carrying amount of the financial assets.

9.1.2 Financial assets classified as at FVTOCI

Except for impairment losses or gains related to financial assets at FVTOCI, interest income calculated using the effective interest method and exchange gains and losses are recognised in profit or loss, changes in fair value of the financial assets are recognised in other comprehensive income. The amount of the financial assets included in profit or loss for each period shall be equal to the amount deemed as measured at amortised cost and included in profit or loss for each period. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and reclassified into profit or loss for the period.

After the non-tradable equity instrument investment is designated as a financial asset at FVTOCI, the changes in fair value of the financial asset are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income and recognised in retained earnings. During the period that the Group holds these non-tradable equity instrument, the dividend income is recognised and included in profit or loss when the Group's right to receive dividends has been established and the economic benefits associated with the dividends are likely to flow into the Group and the amount of the dividends can be reliably measured.

9.1.3 Financial assets at FVTPL

Financial assets at FVTPL shall be subsequently measured at fair value. Gains or losses from change in fair value and dividends and interest income related to such financial assets shall be recognised in profit or loss.

9.2 Impairment of financial instruments

The Group performs impairment accounting for financial assets measured at amortised cost based on expected credit losses (“ECL”) and recognises loss allowance.

The group measures the loss reserves of all commercial acceptance bills receivables and trade receivable formed due to the income standard in accordance with the amount equivalent to lifetime ECL.

For other financial instruments, except for purchased or originated credit impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk on the financial instrument has increased significantly since initial recognition, the Group measures its loss allowance at an amount equal to lifetime ECL of the financial instrument. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to next 12-month ECL of the financial instrument. Except for financial assets measured at FVTOCI, the increased or reversed amount of credit loss provision shall be included in profit and loss for the period as impairment loss or gain.

The Group measured loss allowance at an amount equal to the lifetime ECL of the financial instruments in the previous accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at an amount equal to next 12-month ECL at the balance sheet date for the current period, and the relevant reversal amount of loss allowance is included in profit or loss for the current period as an impairment gain.

9.2.1 Significant increase in credit risk

The Group uses reasonable and supportable forward-looking information that is available to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For loan commitments and financial guarantee contracts, the Group uses the date on which it becomes the party making the irrevocable undertaking as the initial recognition date when applying provisions for financial instrument impairment.

The Group will take the following factors into consideration when assessing whether the credit risk has significantly increased:

- (1) Whether the external market indicators of credit risk for the same financial instrument or similar financial instruments with same expected life have changed significantly. These indicators include: credit spread, credit default swap prices for borrowers.
- (2) Whether the debtor's internal credit rating is actually lowered or is expected to be lowered.
- (3) Adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its debt obligations.
- (4) Whether the actual or expected operating results of the debtor has changed significantly.
- (5) Whether the regulatory, economic or technological environment in which the debtor is located has undergone significant adverse changes.

Irrespective of a significant increase in credit risk since above assessment, the credit risk of the financial instrument is considered to have increased significantly when the contractual payments are past due more than 30 days (inclusive).

As at the balance sheet date, if the Group judges that the financial instrument solely has lower credit risk, the Group will assume that the credit risk of the financial instrument has not significantly increased since initial recognition. If the default risk of a financial instrument is low, and the borrower is highly capable of meeting its contract cash flow obligations in short term, the financial instrument is considered to have a lower credit risk even if there is a negative change in the economic situation and operating environment over a longer period of time, but it may not necessarily reduce the borrower's performance of its contract cash obligations.

9.2.2 Credit impaired financial assets

A financial asset is credit impaired when one or more events that have an adverse impact on the estimated future cash flows of the financial asset occurred. Evidence that a financial asset is credit impaired includes the following observable information:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) The debtor breaches the contract, such as default or overdue on interest or principal payment;
- (3) The creditor, for economic or contractual reasons relating to the financial difficulties of the debtor, granted to the debtor a concession that the creditor would not otherwise consider;
- (4) The debtor is likely to enter bankruptcy or other financial reorganization;
- (5) The active market for the financial asset disappeared due to the financial difficulties of the issuer or the debtor.

Based on the Group's internal credit risk management, the Group considers an event of default occurs when information proposed internally or obtained externally indicates that the debtor of the financial instrument is unable to pay its creditors (including the Group) in full (without taking into account any guarantees obtained by the Group).

Irrespective of the above assessment, the Group presumes that default has occurred when the contractual payments for a financial instrument are past due for more than 90 days (inclusive).

9.2.3 Determination of ECL

The group uses impairment matrix to determine the credit loss of related financial instruments on the basis of combination of bills receivables, trade receivable and other receivables. The group divides financial instruments into different groups based on common risk features. The common credit risk features adopted by the Group include: type of financial instruments, credit risk rating, initial recognition date, etc.

The Group determines ECL of relevant financial instruments according to the following methods:

- For financial assets, the credit loss shall be the present value of the difference between the contractual cash flow to be received by the Group and the expected cash flow to be received.
- As for the financial assets with credit impairment occurred on the balance sheet date but not purchased or generated, the credit loss is the difference between the book balance of the financial assets and the present value of the estimated future cash flow discounted at the original effective interest rate.
- For a financial guarantee contract, the credit loss is the estimated payment made by the Group for the credit loss incurred by the contract holder, less the present value of the difference between the amount expected to be collected by the Group from the contract holder, debtor or any other party.

The factors reflected in the Group's methods of measuring ECL of financial instruments include: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of money; the reasonable and supportable information about past events, current situation and future economic situation forecast that is available without undue costs or efforts on the balance sheet date.

9.2.4 Write-down of financial assets

When the Group no longer reasonably expects that the contractual cash flow of the financial assets can be recovered in whole or in part, the book balance of the financial assets shall be written down directly. Such write down constitutes derecognition of related financial assets.

9.3 Transfer of financial assets

A financial asset is derecognised when one of the following conditions is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset has been transferred to the transferee; or (3) the financial asset has been transferred, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it does not retain control over the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises the related liability accordingly. The Group measures the related liabilities in the following ways:

- If the transferred financial asset is measured at amortised cost, the carrying amount of the related liability is the carrying amount of the continuing involvement in the transferred financial asset less the amortised cost of the rights retained by the Group (if the Group retains the rights due to the transfer of the financial asset) plus the amortised cost of the obligations assumed by the Group (if the Group assumes the obligations due to the transfer of the financial asset), and the related liability is not designated as financial liability at FVTPL.

- If the transferred financial asset is measured at fair value, the carrying amount of the related liability is the carrying amount of the continuing involvement in the transferred financial asset less the fair value of the rights retained by the Group (if the Group retains the rights due to the transfer of the financial asset) plus the fair value of the obligations assumed by the Group (if the Group assumes the obligations due to the transfer of the financial asset), the fair value of the rights and the obligations shall be the fair value at the time of measurement on an independent basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, especially for a financial asset classified at amortised cost and financial asset classified as at FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss that has been previously recognised in other comprehensive income is recognised in profit or loss for the period. While regarding non-trading equity instruments designated as at FVTOCI by the Group, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings.

If part of the transferred financial asset satisfies the derecognition criteria, the carrying amount of the financial asset as a whole is allocated between the part that is derecognised and the part that continues to be recognised, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised that has been previously recognised in other comprehensive income is recognised in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognise the transferred financial asset in its entirety. Considerations received due to transfer of assets should be recognised as a liability upon receipts.

9.4 Classification and measurement of financial liabilities and equity instruments

Based on the contractual terms of the financial instruments issued and the economic substance rather than only the form of legal contracts reflected, along with the definition of financial liabilities and equity instruments, the Group classifies the financial instruments or its components as financial liability or equity instrument at initial recognition.

9.4.1 Classification, recognition and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

9.4.1.1 Financial liabilities at FVTPL

Financial liabilities at fair value through profit and loss include heldfor-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at FVTPL. In addition to the derivative financial liabilities listed separately, financial liabilities at FVTPL are listed as transactional financial liabilities.

The Group's purpose of undertaking the financial liabilities is for trading if one of the following conditions is satisfied:

- The purpose of undertaking relevant financial liabilities is mainly for the recent repurchase.
- The relevant financial liabilities are part of a portfolio of identified financial instruments that are centrally managed on initial recognition, and there is objective evidence of actually a recent short-term profit-taking model.
- The relevant financial liabilities are derivatives, except for derivatives defined under financial guarantee contracts and derivatives designated as effective hedging instruments.

The Group may designate, on initial recognition, a financial liability as at FVTPL if one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces an accounting mismatch; (2) manage and evaluate the financial liability portfolio or the portfolio of financial assets and financial liabilities at fair value based on the risk management or investment strategy as stated in the official written documents of the Group, and report to key management of the Group internally; or (3) a qualified hybrid contract containing embedded derivatives.

Held-for-trading financial liabilities are subsequently measured at fair value, and any gains or losses arising from changes in fair value and dividends or interest expenses paid on the financial liabilities are recognised in profit or loss for the period.

9.4.1.2 Other financial liabilities

Other financial liabilities other than financial liabilities arising from the transfer of financial assets that do not qualify for derecognition or continuing involvement in the transferred financial assets and financial guarantee contracts are classified as financial liabilities at amortised cost and subsequently measured at amortised cost, with gains or losses arising from derecognition or amortization recognised in profit or loss for the period.

When the Group and a counterparty modify or renegotiate a contract that does not result in derecognition of a financial liability subsequently measured at amortised cost but result in changes in contractual cash flows, the Group recalculates the carrying amount of the financial liability and recognises any related gains or losses in profit or loss for the period. In recalculating the financial liability, the Group determines the carrying amount of the renegotiated or modified contractual cash flows at the present value discounted at the original effective interest rate of the financial liability. For all costs or expenses incurred in connection with the modification or renegotiation of a contract, the Group adjusts the modified carrying amount of the financial liability and amortises it over the remaining period of the modified financial liability.

9.4.1.2.1 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at FVTPL are measured at the higher of the amount of loss provision and the amount initially recognized less cumulative amortization amount determined in accordance with the relevant regulations set out in Revenue Standard.

9.4.2 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. Where an agreement between the Group as borrower and lender is signed to replace the original financial liability and the contractual terms of the new financial liability and the original financial liability are substantially different, the Group derecognised the original financial liability and recognised the new financial liability.

On derecognition of a financial liability in its entirety or partially, the difference between the carrying amount of the part derecognised and the consideration paid (including any non-cash asset transferred or new financial liability assumed) is recognised in profit or loss for the period.

9.4.3 Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinancing), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognises the distribution to holders of the equity instruments as profit distribution, dividends paid do not affect total amount of shareholders' equity.

9.5 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts, currency swap contracts and interest rate swap contracts, etc. Derivatives are initially measured at fair value on the signing dates of the relevant contracts and subsequently measured at fair value. The changes in fair value of the derivatives are recognised in profit or loss for the period.

9.6 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in balance sheet when the Group has a legally enforceable right to set off the recognised financial assets and financial liabilities, and the Group intends to settle with net amount, or realise the financial asset and settle the financial liability simultaneously. Otherwise, the financial assets and financial liabilities will be presented separately in balance sheet and will not be mutually set off.

10. Inventories

10.1 Classification of inventories

The Group's inventories mainly include raw materials, low-value consumables, works in progress and finished goods, etc. Inventories are initially measured at cost, which comprises purchase costs, processing costs and other expenses incurred in bringing the inventories to their current location and condition.

10.2 Pricing of inventories delivered

The actual cost of inventories upon delivery is calculated using the weighted average method.

10.3 Determination of net realisable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for impairment of inventories is made.

Net realisable value is the estimated selling price of inventories in the ordinary course of business less the estimated costs to completion, estimated selling expenses and related taxes. Net realisable value of inventories is determined on the basis of clear evidence obtained, taking into account the purpose of holding inventories and the effect of events after the balance sheet date.

Provision for impairment of inventories is made based on the excess of cost over net realisable value of individual inventory item.

After the provision for impairment of inventories is made, if the circumstances that previously caused inventories to be written-off no longer exist so that the net realisable value of inventories is higher than their carrying amount, the original provision for impairment of inventories is reversed and the reversed amount is recognised in profit or loss for the period.

10.4 Inventory system

The inventory system is a perpetual inventory system.

10.5 Amortization of low-value consumables

Low-value consumables are amortised using one-off write-off method.

11. Assets Held for Sale

A non-current asset or disposal group is classified as asset held for sale when the carrying amount of the asset is recovered principally through a sale transaction (including an exchange of non-monetary assets with commercial substance) rather than through continuing use. Non-current assets or disposal groups held for sale are required to satisfy the following conditions: (1) an immediate sale can be made under the current conditions according to the practice of selling such assets or disposal groups in similar transactions; and (2) it is highly probable that a sale will occur, that is, the Group has made a resolution on a sale plan and obtained a definite purchase commitment, and the sale is expected to be completed within one year.

The Group measures non-current assets or disposal groups held for sale at the lower of carrying amount and fair value less costs to sell. If the carrying amount is higher than the net amount of the fair value less costs to sell, the carrying amount shall be written-off to the fair value less costs to sell, the amount written-off is recognised as an impairment loss of assets and included in profit or loss for the period, and the provision for impairment of assets held for sale is made simultaneously. Where there is an increase in the net amount of fair value less costs to sell of non-current assets held for sale at the subsequent balance sheet date, the amount previously written-off should be recovered and reversed in the amount of impairment loss recognised for the assets after being classified as held for sale, and the reversed amount is included in profit or loss for the period.

Depreciation or amortization shall not be made for non-current assets in the non-current assets or disposal groups held for sale. The interest of liabilities and other expenses in the disposal groups held for sale shall be continuously recognised.

12. Long-term Equity Investments

12.1 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost is the attributable share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination. The difference between the initial investment cost of a long-term equity investment and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed is adjusted to capital reserve. If the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted. Where the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost is the attributable share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination, and the total nominal value of the shares issued is recognised as share capital. The difference between the initial investment cost of a long-term equity investment and the total nominal value of the shares issued is adjusted to capital reserve. If the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted.

For a long-term equity investment acquired through a business combination not involving enterprises under common control, the initial investment cost is the combination cost at the date of acquisition.

The intermediary expenses incurred by the acquirer or purchaser in respect of auditing, legal services, valuation and consultancy services, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss in the period in which they are incurred.

The long-term equity investment acquired other than through a business combination is initially measured at its cost.

12.2 Subsequent measurement and recognition of profit or loss

12.2.1 Long-term equity investments accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the financial statements of the Company. A subsidiary is an investee that is controlled by the Group.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. The current investment income is recognised in accordance with the cash dividends or profit distributions declared by the investee.

12.3 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the carrying amount and the actual purchase price is recognised in profit or loss for the period.

13. Investment Properties

Investment properties are properties held for the purpose of earning rentals or capital appreciation, or both. Investment properties include leased land use rights, land use rights held and prepared for transfer after appreciation, buildings leased out, etc.

Investment properties are initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other subsequent expenditures on an investment property shall be included in profit or loss for the current year when incurred.

The Group adopts the cost model for subsequent measurement of investment properties, and investment properties are depreciated or amortised based on the same policy consistent with houses and buildings or land use rights.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the property net of the carrying amount and related taxes is recognised in profit or loss for the period.

14. Fixed Assets

14.1 Conditions of recognition

Fixed assets are tangible assets that are held for use in the production of goods or supply of services, for rental to others, or for administrative purposes and have a useful life of more than one accounting year. A fixed asset is recognised only when the economic benefits associated with the asset are probable to flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset if it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably, and the carrying amount of the replaced part is derecognised. Other subsequent expenditures other than the above are charged to profit or loss for the current period when incurred.

14.2 Depreciation methods

Fixed assets are depreciated using the straight-line method over their estimated useful lives from the next month when they are available for intended use. The estimated useful lives, residual values and annual depreciation rates of each class of fixed assets are as follows:

Class	Depreciation period (Years)	Residual Value Rate (%)	Annual depreciation rate (%)
Houses and buildings	20 years	5	4.75
Machinery and equipment	4-10 years	5	9.50-23.75
Transportation equipment	4-5 years	5	19.00-23.75
Other equipment	3-5 years	5	19.00-31.67

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

14.3 Other Description

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life, estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end, and any change is accounted for as a change in accounting estimate.

15. Construction in Progress

Construction in progress is measured at actual cost, which includes various construction expenditures incurred during the construction period, capitalized borrowing costs before the construction is ready for its intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to fixed asset while it is ready for its intended use.

16. Borrowing Costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised when expenditures for the asset are being incurred, borrowing costs are being incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. The capitalisation of qualifying assets under construction or production ceases when the assets are ready for their intended use or sale. The remaining borrowing costs are recognised as expenses in the period in which they are incurred.

Where funds are borrowed under a special borrowing, the amount to be capitalised is the actual interest expense incurred on that borrowing for the period less any interest income earned from depositing the unused borrowing funds into bank or any investment income on the temporary investment of those funds. Where funds are borrowed under a general borrowing, the amount capitalised is determined by applying the weighted average of the excess amounts of cumulative expenditures on the asset over the special borrowings multiplied by the capitalization rate of the general borrowings used. The capitalization rate is determined based on the weighted average interest rate of the general borrowings. During the capitalisation period, the exchange differences on special foreign currency borrowings are all capitalised; the exchange differences on general-purpose foreign currency borrowings are recognised in profit or loss for the period.

17. Intangible Assets

17.1 Intangible assets

Intangible assets include software, pollutant discharge rights, mining rights and land use rights, etc.

The intangible assets shall be initially measured at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. Intangible assets are not amortised while their useful lives are assessed to be indefinite. The amortization method, useful life and estimated net residual value rate of each class of intangible assets are as follows:

Class	Amortization method	Useful life (Years)	Residual Value Rate (%)
Land use rights	Straight line method	42-50 years	–
Software	Straight line method	5-10 years	–
Pollutant discharge rights	Straight line method	5-20 years	–
Mining rights	Output method	–	–

At the end of the year, the useful life and amortization method of intangible assets with finite useful lives are reviewed and adjusted if necessary.

For the impairment test of intangible assets, please refer to Note (III).18. “Impairment of Long-term Assets”.

17.2 Internal research and development expenditures

Expenditures incurred in the research stage are recognised in profit or loss for the period.

Expenditures incurred in the development stage are recognised as intangible assets only when all of the following conditions are satisfied, and the expenditures in the development stage that does not meet all of the following conditions are recognized in profit or loss for the period:

- (1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (2) The intention to complete the intangible asset and use or sell it;
- (3) The way in which the intangible asset generates economic benefits, including the ability to prove that there is a market for the product produced using the intangible asset or the intangible asset itself has a market, and prove its usefulness if the intangible asset will be used internally;
- (4) Adequate technical, financial and other resources to complete the development of the intangible asset and to use or sell the intangible asset;
- (5) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

If the expenditures cannot be distinguished between the research stage and development stage, the Group recognises all of them in profit or loss for the period. The cost of the intangible asset formed by internal development activities only includes the total expenditure incurred from the time when the capitalization conditions are met to the time when the intangible asset reaches the intended purpose. The expenditures that have been expensed into profit and loss before the capitalization conditions are met for the same intangible asset in the development process will not be adjusted.

18. Impairment of Long-term Assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, investment properties, fixed assets, construction in progress measured using the cost method and intangible assets with finite useful lives may be impaired. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

If the estimated recoverable amount of an asset is based on a single asset and it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The recoverable amount is the higher of an asset's or asset Group's fair value less costs of disposal and the present value of the estimated future cash flows.

If the recoverable amount of an asset is less than its carrying amount, a provision for impairment of the asset is made based on the difference and recognised in profit or loss for the period.

An impairment loss once recognised shall not be reversed in a subsequent accounting period.

19. Long-term Deferred Expenses

Long-term deferred expenses are expenses which have incurred but shall be amortised over the current period and subsequent periods of more than one year. Long-term deferred expenses are amortised evenly over the estimated benefit period.

20. Contract Liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract assets and contract liabilities under common contract are presented on a net basis.

21. Employee Compensation

21.1 Accounting for short-term employee compensation

In the accounting period in which an employee has rendered services, the Group recognises the short-term employee compensation actually incurred as liabilities, and includes in profit or loss for the period or related asset costs. The employee benefits expenses incurred by the Group are recognised in profit or loss for the period or related asset costs based on the actual amount when actually incurred. The non-monetary employee benefits expenses are measured at fair value.

In determining the corresponding amount of employee compensation, social security contributions such as medical insurance, work injury insurance and maternity insurance and housing funds, as well as labour union running expenses and employee education expenses provided by the Group are calculated according to the prescribed provision bases and percentages during the accounting period in which the employees provide services to the Group, and the corresponding liabilities are recognised, and included in profit or loss for the period or related asset costs.

21.2 Accounting for post-employment benefits

Post-employment benefits are all defined contribution plans.

In the accounting period in which an employee has rendered service, the Group recognises the amount payable under the defined contribution plan as a liability, and includes in profit or loss for the period or related asset costs.

21.3 Accounting for termination benefits

When the Group provides termination benefits to employees, employee compensation liabilities arising from termination benefits are recognised in profit or loss at the earlier of the following dates: when the Group cannot unilaterally withdraw the termination benefits provided because of an employee termination plan or a layoff proposal, or when the Group confirms the costs or expenses related to the restructuring involving the payment of dismissal benefits.

22. Provisions

Obligations related to product quality guarantee contingencies are recognised as provisions when the Group has a current obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

On the balance sheet date, provision shall be measured at the best estimate of the expenditure for settling the current obligation, taking into account the risk and uncertainty and time value of money and other factors related to the contingencies. Where the effect of the time value of money is material, the best estimate of the expenditure is determined by discounting the expected future cash outflows.

23. share-based Payments

The Group's share-based payments are transactions in which equity instruments are granted to employees in exchange for services rendered by employees or for the assumption of liabilities based on equity instruments. The Group's share-based payments are equity-settled share-based payments.

Equity settled share-based payments

Equity-settled share-based payments to employees

Equity-settled share-based payments to employees in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. When the grant is vested immediately, the amount of the fair value is included in the related costs or expenses on the grant date, with a corresponding increase in capital reserve.

24. Revenue

The Group's revenue is mainly derived from the sales of glass products, which mainly include photovoltaic glass, household glass, architectural glass, float glass and mining products, etc. Revenue from other business mainly represents rental income from properties and sales income of materials.

The Group recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

For the performance obligations to be performed during a certain period of time, the Group recognises revenue over time by reference to the progress of a performance obligation if one of the following criteria is met: (1) the customer receives and consumes the economic benefits brought by the Group while performing obligations; (2) the customer can control the goods under construction during the performance of the Group; (3) the goods produced during the performance of the Group have irreplaceable uses, and the Group has the right to receive payment for the part of the completed performance so far throughout the contract period. Otherwise, the Group will recognise revenue at the time point when the customer obtains control over relevant goods or services.

25. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of monetary asset, it shall be measured at the amount received or receivable.

25.1 Judgement basis and accounting treatment of government grants related to assets

The Group's government grants related to assets mainly include subsidies for industrial transformation and upgrading technological transformation projects, subsidies for major investment projects and other corporate subsidies.

A government grant related to assets is recognised as deferred income and included in other income over the useful life of the related asset using the straight-line method.

25.2 Judgement basis and accounting treatment of government grants related to revenue

The Group's government grants related to revenue mainly include natural gas subsidies, loan interest subsidies, listing incentive fees, industrial development subsidies, social security financial subsidies, etc.

A government grant related to revenue used to compensate for relevant costs, expenses and losses in subsequent periods is recognised as deferred income, and is used to offset the relevant costs over the periods in which the relevant costs, expenses or losses are recognised. The government grants related to revenue used to compensate for relevant costs, expenses and losses already incurred is used to offset the relevant costs directly.

The government grants related to the Group's daily activities are included in other income/offset the relevant costs and expenses according to the nature of economic business. Otherwise, government grants are included in non-operating income or expense.

The interest subsidy of preferential loans is directly allocated from the government's financial fund to the Group, which will offset the relevant borrowing costs.

26. Deferred Income Tax Assets/Deferred Income Tax Liabilities

Income tax expenses comprise current income tax expense and deferred income tax expense.

26.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

26.2 Deferred income tax assets and deferred income tax liabilities

For temporary differences between the carrying amount of certain assets or liabilities and their tax base, or between the carrying amount of those items that are not recognised as assets or liabilities but the tax base can be determined according to tax laws and their tax base, deferred income tax assets and deferred income tax liabilities are recognised using the balance sheet liability method.

Deferred income tax is generally recognised for all temporary differences. However, as for deductible temporary differences, deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. In addition, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profit (or deductible loss) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits in subsequent years that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with the investments in subsidiaries are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws.

Current and deferred income tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they are adjusted to the carrying amount of goodwill.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is probable that sufficient taxable profits will not be available to offset the benefits of deferred income tax assets. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

26.3 Offsetting of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

27. Lease

Lease is defined as a contract that the lessor transfers the right-of-use of assets to the lessee within a certain period of time in exchange for consideration.

For a contract entered into or changed after the date of initial adoption, the Group assesses whether the contract is or contains lease on the commencement or changing date of the contract. The Group does not reassess unless the terms and conditions of the contract are changed.

27.1 The Group as lessee

27.1.1 Separation of leases

For a contract that contains one or more lease or non-lease components, the Group separates each individual lease component from non-lease components and allocates the consideration in the contract to each lease component on the basis of the stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

27.1.2 *Right-of-use assets*

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease. The lease commencement date refers to the starting date for the lessor to provide leased assets for use by the Group. Right-of-use assets are initially measured at cost. Such cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less the relative amount of any lease incentives enjoyed if there are lease incentives;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms of the lease.

The Group accrues depreciation for the right-of-use assets according to the relevant depreciation regulations of Accounting Standards for Business Enterprises No. 4 – Fixed Assets. Right-of-use assets are depreciated within the remaining useful lives when the Group is reasonably certain to obtain the ownership of leased assets at the end of the lease term. The depreciation is provided during the period between the lease term and the remaining useful lives of the leased assets if it is not.

The Group determines whether the right-of-use assets are impaired and performs accounting treatment for recognised impairment loss according to the relevant regulations of Accounting Standard for Business Enterprise No. 8 – Impairment of Assets.

27.1.3 Lease liabilities

Except for short-term leases, the Group initially measures the lease liability at the present value of lease payments that are unpaid at the lease commencement date. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as discount rate, and adopts the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

The lease payments refer to the amount paid by the Group to the lessor in relation to the right to use the leased asset during the lease term, including:

- fixed payments and in-substance fixed payments, less the relevant amount of any lease incentives if there are lease incentives;
- variable lease payment that are based on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- required payments that the lease term reflects for the Group exercising the option to terminate;
- estimated payable amounts based on the residual value guarantees provided by the Group.

The Group calculates the interest expense of lease liabilities for each period of the lease term at a fixed periodic interest rate and includes it in profit and loss for the period or related asset costs after the lease commencement date.

27.1.4 Short-term leases

For short-term leases of machinery and equipment, the Group chooses the right-of-use assets and lease liabilities that are not certain to use. Short-term lease is defined as a lease has a lease term of no more than 12 months and excludes a purchase option from the lease commencement date. The Group will include the lease payments for short-term leases in profit or loss for the period or related asset costs using the straight-line method.

27.2 The Group as lessor

27.2.1 Classification of leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially almost all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

27.3 The Group as lessor under operating leases

The Group recognises lease payments for operating leases as rental income by using the straight-line method in each period of the lease term. Initial direct costs related to the Group's operating leases are capitalised when incurred, are allocated on the same basis as rental income over the lease term and are charged to profit or loss for the period in stages.

The Group's variable lease payments related to operating leases that are not included in the lease payments are included in profit or loss for the period when they are actually incurred.

28. Critical Judgements in Applying Accounting Policies and Key Assumptions and Uncertainties in Accounting Estimates

In the process of applying the accounting policies, which are described in the notes above, the Group is required to make judgments, estimates and assumptions about the carrying amount of items in the financial statements that cannot be measured accurately, due to the inherent uncertainties of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. The actual results may be different from the estimates of the Group.

The Group regularly reviews the above judgments, estimates and assumptions on the basis of going concern. Where the changes in accounting estimates only affect the period of change, the impact is recognised in the period of change. Where the changes affect both current and future periods, the impact is recognised in the period of the change and future periods.

At the balance sheet date, key assumptions and uncertainties in accounting estimates that are probable to cause a material adjustment to the carrying amount of assets and liabilities are mainly:

Useful lives of fixed assets

The management of the Group is responsible for assessing the estimated useful lives and related depreciation charges for the fixed assets. This estimate is based on the historical actual useful lives of fixed assets of similar nature and functions. In the course of the use of fixed assets, technological changes and equipment upgrades of competitors in the industry may have a significant impact on the useful life of fixed assets. If the useful lives of fixed assets differ from the original estimates, the management of the Group will adjust the future depreciation expenses.

Impairment of fixed assets

The management of the Group regularly reviews whether there are any indications of impairment for fixed assets and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group conducts impairment test on fixed assets whenever there is an indication that the fixed assets may be impaired. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of its future cash flows. In determining the recoverable amount of fixed assets, the management of the Group has taken into account factors including future profitability, growth rate and discount rate, etc. As at 30 June 2020, the balance of the Group's provision for impairment of fixed assets was RMB3,829,572.65 (as at 31 December 2019: RMB16,093,080.60).

Estimate of mineral reserve

Provision for impairment of mining rights is made after assessing the Group's mineral reserves. Estimates of mineral reserves are subjective in nature and, as a result, technical estimates of mineral reserves are generally not inaccurate, and only approximate quantities. There are certain authoritative guidelines regarding the engineering criteria that have to be complied by the Group before estimated mineral reserves can be determined as proved and probable reserve. Proved and probable reserve estimates are updated at regular intervals taking into account recent production and technical information of each mine. In addition, as production levels and technical standards change from year to year, the estimate of proved and probable reserves also changes. Despite the inherent imprecision in these technical estimates, such estimates are still used as basis in assessing impairment losses. Where the actual outcome or further expectation is different from the original estimate, such difference will impact the provision for impairment of intangible assets – mining rights in the period in which such estimate has been changed.

Impairment of mining rights

In conducting the impairment test on the mining rights owned by the Group, the Group uses the forecast data of forward product prices from domestic and overseas authoritative research institutions or the best estimates made by the management as the estimation of the future selling prices of relevant products. Based on management's latest estimates of mining plans and future capital expenditures, the discount rates take into account the current risk-free return rate, average social yield rate, enterprise-specific risk and other factors. The estimation of the future recoverable amount of the mining right assets is highly dependent on the estimation of future commodity prices, mining plans, future capital expenditure plans and discount rates stated above. The forecast of future prices of commodities does not represent the selling prices that can be actually realised in the future, and the mining plans, future capital expenditure plans and discount rates will also change. As at 30 June 2020, the management of the Group is of the opinion that there is no impairment of the mining rights assets owned by the Group. If the above projections and estimates change after the estimated period, the estimates of future recoverable amount of the Group's mining rights assets may change or result in a decrease in the carrying amount of the mining rights.

Recognition of deferred income tax assets

As at 30 June 2020, the Group has recognised deferred income tax assets of RMB23,074,689.50 (as at 31 December 2019: RMB18,458,589.23), which are included in the balance sheet. Deferred income tax assets arise from the actual profits and temporary differences are mainly based on the actual tax rates utilized in the upcoming years. In cases where the actual future profits generated are less than expected, a reversal of deferred income tax assets recognised may arise, which would be recognised in the income statement for the period in which such a reversal takes place. In the opinion of the management of the Group, it is uncertain whether it is probable that sufficient taxable profits will be available in the future for certain subsidiaries, and therefore, as at 30 June 2020, the deductible losses and other temporary differences in relation to the unrecognised deferred income tax assets amounted to RMB35,977,277.93 in aggregate (as at 31 December 2019: RMB27,982,696.03).

Impairment of commercial acceptance bill receivables and trade receivables

The Group applies significant accounting estimates when assessing the expected recoverable amount of commercial acceptance bills and trade receivables, and assesses expected credit losses and calculates credit impairment with reference to the historical default, credit risk and forward-looking information. As at 30 June 2020, credit impairment of commercial acceptance bill receivables and trade receivables of the Group was RMB83,724,888.27 (as at 31 December 2019: RMB52,390,832.96).

Fair value measurements and valuation processes

In estimating the fair value of the Group's financial assets and financial liabilities, the Group uses market-observable data to determine whether there is objective evidence of impairment. Where Level 1 inputs are not available, the management of the Group assesses the fair value of financial instruments based on discounted cash flow or over-the-counter market transaction price. At the end of the reporting period, the management of the Group uses appropriate valuation techniques and inputs to establish a pricing model based on historical experience. Where there is a material change in fair value, the causes of the fluctuations will be reported to the board of directors of the Company. The valuation techniques, input values and main assumptions used to determine the fair value of the Group's financial assets and liabilities are disclosed in note VIII.

(IV) TAXATION

1. Major Types of Tax and Tax Rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Taxable value-added amount (the tax payable is calculated on the taxable sales amount multiplied by the applicable tax rate (output-VAT) less deductible input-VAT for the current period)	Note 1
Urban maintenance and construction tax	Turnover tax payment	7%
Education surcharge	Turnover tax payment	3%
Local educational surcharges	Turnover tax payment	2%
Property tax	Cost of properties/rental income	Note 2
Resources tax	Quantity of mining products sold	7%
Enterprise income tax (EIT)	Taxable income	Note 3
Environmental protection tax	Pollutant emissions	RMB1.2 or RMB1.4 per pollutant equivalent

Note 1: According to the Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39, the value-added tax rate is adjusted from 16% to 13% from 1 April 2019.

Note 2: The property tax of self-use property is calculated at 70% of the original value of the real estate and at a rate of 1.2%; the property tax of leased buildings is calculated at 12% of rental income.

Note 3: EIT rates for the Company and subsidiaries:

	Tax rate
The Company	15%
浙江福萊特玻璃有限公司 Zhejiang Flat Glass Co., Ltd.	25%
浙江嘉福玻璃有限公司 Zhejiang Jiafu Glass Co., Ltd.	15%
上海福萊特玻璃有限公司 Shanghai Flat Glass Co., Ltd.	25%
安徽福萊特光伏玻璃有限公司 Anhui Flat Solar Glass Co., Ltd.	25%
安徽福萊特光伏材料有限公司 Anhui Flat Solar Material Co., Ltd.	25%
福萊特(香港)有限公司 Flat (Hong Kong) Limited	16.5%
嘉興福萊特新能源科技有限公司 Jiaxing Flat New Energy Technology Co., Ltd.	12.5%
福萊特(越南)有限公司 Flat (Vietnam) Company Limited	0%
福萊特(香港)投資有限公司 Flat (Hong Kong) Investment Limited	16.5%
福萊特(嘉興)進出口貿易有限公司 Flat (Jiaxing) Import and Export Trade Limited	25%

2. Tax Preferences

The Company

On 21 November 2016, the Company obtained the “High Technology Enterprise Certificate” (No. GR201633000057) jointly approved by the Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, the State Taxation Bureau of Zhejiang Province and the Local Taxation Bureau of Zhejiang Province, for a valid period of three years, pursuant to which, the EIT rate of 15% is applied from 2016 to 2018. On 4 December 2019, the Company obtained the “High Technology Enterprise Certificate” (No. GR201933003682) jointly approved by the Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service, State Taxation Administration for a valid period of three years, pursuant to which, the EIT rate of 15% is applied from 2019 to 2021.

Zhejiang Jiafu Glass Co., Ltd.

On 21 November 2016, Zhejiang Jiafu Glass Co., Ltd. obtained the “High Technology Enterprise Certificate” (No. GR201633001835) jointly approved by the Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, the State Taxation Bureau of Zhejiang Province and the Local Taxation Bureau of Zhejiang Province, for a valid period of three years, pursuant to which, the EIT rate of 15% is applied from 2016 to 2018. On 4 December 2019, Zhejiang Jiafu Glass Co., Ltd. obtained the “High Technology Enterprise Certificate” (No. GR201933001492) jointly approved by the Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service, State Taxation Administration for a valid period of three years, pursuant to which, the EIT rate of 15% is applied from 2019 to 2021.

Flat (Vietnam) Company Limited

Pursuant to the Project Investment License approved by the Vietnam Haiphong Economic Zone Authority on 30 June 2016, Flat (Vietnam) Company Limited is exempted from EIT for four years commencing from the first profit-making year, followed by a 50% reduction in EIT for the next nine years. Flat (Vietnam) Company Limited has not made profits in 2018 and 2019.

(V) INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

The composition of the corporate group

Name of subsidiary (Note 11)	Principal place of business	Place of registration	Nature of business	shareholding and voting rights percentage as at		Acquisition method
				31 December 2019 (%)		
				Direct	Indirect	
Zhejiang Flat Glass Co., Ltd. ("Zhejiang Flat") ^(Note 1)	Zhejiang	Zhejiang	Engaged in the manufacture and sale of architectural or household glass products	100.00	–	Establishment
Zhejiang Jiafu Glass Co., Ltd. ("Zhejiang Jiafu") ^(Note 2)	Zhejiang	Zhejiang	Manufacture and sale of photovoltaic glass	100.00	–	Establishment
Shanghai Flat Glass Co., Ltd. ("Shanghai Flat") ^(Note 3)	Shanghai	Shanghai	Architectural glass processing	100.00	–	Establishment
Anhui Flat Solar Glass Co., Ltd. ("Anhui Flat Glass") ^(Note 4)	Anhui	Anhui	Manufacture, processing and sale of special glass	100.00	–	Establishment
Anhui Flat Solar Material Co., Ltd. ("Anhui Flat Material") ^(Note 5)	Anhui	Anhui	Mine operations and sale of quartz ore	100.00	–	Establishment
Flat (Hong Kong) Limited ("Flat (Hong Kong)") ^(Note 6)	Zhejiang	Hong Kong	Glass Export	100.00	–	Establishment
Jiaxing Flat New Energy Technology Co., Ltd. ("Flat New Energy") ^(Note 7)	Zhejiang	Zhejiang	Investment, construction, operation and maintenance of new energy power plants	100.00	–	Establishment
Flat (Vietnam) Company Limited ("Flat Vietnam") ^(Note 8)	Vietnam	Vietnam	Manufacture and sale of photovoltaic glass	–	100.00	Establishment
Flat (Hong Kong) Investment Limited ("Flat Investment") ^(Note 9)	Hong Kong	Hong Kong	Investments	–	100.00	Establishment
Flat (Jiaxing) Import and Export Trade Limited ("Flat Import and Export Trade") ^(Note 10)	Zhejiang	Zhejiang	import and export trade	100.00	–	Establishment

- Note 1: Zhejiang Flat was established on 14 February 2011 with a registered capital of RMB10,000,000.
- Note 2: Zhejiang Jiafu was established on 15 August 2007 with a registered capital of RMB100,000,000, which was contributed as to 55% by the Company and as to 45% by Shanghai Flat in cash. On 15 October 2008, the registered capital of Zhejiang Jiafu was increased from RMB100,000,000 to RMB123,714,977.05 and was contributed as to 55% by the Company and 45% by Shanghai Flat, respectively. On 7 September 2009, Zhejiang Jiafu increased its registered capital by RMB26,285,022.95 and its registered capital after the change was RMB150,000,000, upon which the Company and Shanghai Flat owned 55% and 45%, respectively. On 10 March 2014, the Company entered into an equity transfer agreement with Shanghai Flat, pursuant to which, Shanghai Flat transferred its 45% equity interest in Zhejiang Jiafu to the Company. Upon completion of the transfer, Zhejiang Jiafu was wholly owned by the Company.
- Note 3: Shanghai Flat was established on 6 June 2006 with a registered capital of RMB70,000,000.
- Note 4: Anhui Flat Glass was established on 18 January 2011 with a registered capital of RMB150,000,000, which was contributed as to 60% by the Company and 40% by Zhejiang Jiafu. On 18 January 2013, the registered capital of Anhui Flat Glass was reduced to RMB30,000,000. On 10 March 2014, the Company entered into an equity transfer agreement with Zhejiang Jiafu, pursuant to which, Zhejiang Jiafu transferred its 40% equity interest in Anhui Flat Glass to the Company. Upon completion of the transfer, Anhui Flat Glass was wholly owned by the Company. The registered capital was increased to RMB61,000,000 on 30 December 2016, the registered capital was increased to RMB300,000,000 on 22 December 2017, and the registered capital was further increased to RMB450,000,000 on 31 July 2018.
- Note 5: Anhui Flat Material was established on 19 January 2011 with a registered capital of RMB30,000,000, which was contributed as to 60% by the Company and 40% by Zhejiang Jiafu. On 10 March 2014, the Company entered into an equity transfer agreement with Zhejiang Jiafu, pursuant to which, Zhejiang Jiafu transferred its 40% equity interest in Anhui Flat Material to the Company. Upon completion of the transfer, Anhui Flat Material was wholly-owned by the Company.
- Note 6: Flat (Hong Kong) was established on 9 January 2013 with a registered capital of HKD77,561. On 28 November 2016, the registered capital was increased to HKD77,548,590.
- Note 7: Flat New Energy was established on 11 March 2014 with a registered capital of RMB10,000,000.
- Note 8: Flat (Vietnam) was established on 28 July 2016 with a registered capital of VND1,095,500,000,000, which was contributed by Flat (Hong Kong). On 14 May 2018, the registered capital was increased to VND1,752,800,000,000.00.
- Note 9: Flat Investment was established on 31 July 2017 with a registered capital of HKD1,000,000, which was contributed by Zhejiang Jiafu.
- Note 10: Flat Import and Export Trade was established on 25 June 2019 with a registered capital of RMB7,000,000.
- Note 11: As at 31 December 2019 and 2018, the Company's subsidiaries had no issued bonds.

2. Interest in joint venture or associate

(1) Financial information summary of insignificant joint venture and associate

RMB

	Closing balance/ Amount incurred in the current period	Opening balance/ Amount incurred in the last period
Associate:		
Total invested book value	11,941,580.62	—
Listed total number calculated by shareholding percentage		
– Net profit	641,580.62	—
– Other comprehensive income	—	—
– Total comprehensive income	—	—

(VI) NOTES TO THE CONSOLIDATED STATEMENTS

1. CASH AT BANK AND ON HAND

RMB

Items	Closing balance	Opening balance
Cash on hand	78,651.14	20,326.96
Cash at bank	809,325,491.23	479,047,764.63
Other cash at bank and on hand	1,463,628,980.51	133,932,273.25
Total	<u>2,273,033,122.88</u>	<u>613,000,364.84</u>
Including: total amount deposited abroad	<u>252,330,040.60</u>	<u>181,335,356.38</u>

2. DERIVATIVE FINANCIAL ASSETS

RMB

Items	Closing balance	Opening balance
Interest rate swap contract	–	379,492.22
Forward foreign exchange contract	915,189.95	666,463.87
Foreign exchange option contract	–	71,837.90
Total	<u>915,189.95</u>	<u>1,117,793.99</u>

Note: The unexpired interest rate swap contracts, forward foreign exchange contracts and foreign exchange option contracts are not designated as hedging instruments, and the gains or losses arising from changes in fair value are directly included in profit and loss for the period.

3. **BILLS RECEIVABLES**

(1) **Bills receivables by category**

RMB

Items	Closing balance	Opening balance
Bank acceptance bills	1,618,955,031.02	1,905,783,818.43
Commercial acceptance bills	69,403,747.17	72,633,145.40
Less: credit impairment provision	1,943,304.92	2,033,728.07
Total	<u>1,686,415,473.27</u>	<u>1,976,383,235.76</u>

(2) **Bills receivables pledged by the Group at the end of the half year**

RMB

Items	Pledged amount at the end of the half year
Bank acceptance bills	304,985,080.96
Commercial acceptance bills	1,900,903.69
Total	<u>306,885,984.65</u>

(3) **Bills receivables that have been endorsed or discounted by the Group but not yet due at the balance sheet date:**

RMB

Items	Amount not derecognized at the end of the half year
Endorsed bank acceptance bills	855,635,460.73
Discounted bank acceptance bills	203,589,009.47
Total	<u>1,059,224,470.20</u>

- (4) At the end of the half year, the Group had no bills transferred to trade receivables due to the drawer's failure to perform.
- (5) Disclosed by classification of credit loss provision method

RMB

Classification	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Bad debt provision by portfolio					
Including :					
Bank acceptance bills	1,618,955,031.02	95.89%	-	0.00	1,618,955,031.02
Commercial acceptance bills	69,403,747.17	4.11%	1,943,304.92	2.80%	67,460,442.25
Total	<u>1,688,358,778.19</u>	/	<u>1,943,304.92</u>	/	<u>1,686,415,473.27</u>

Classification	Opening balance				Book value
	Amount		Bad debt provision		
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Bad debt provision by portfolio					
Including :					
Bank acceptance bills	1,905,783,818.43	96.33%	-	0.00	1,905,783,818.43
Commercial acceptance bills	72,633,145.40	3.67%	2,033,728.07	2.80%	70,599,417.33
Total	<u>1,978,416,963.83</u>	/	<u>2,033,728.07</u>	/	<u>1,976,383,235.76</u>

Bills receivables with credit loss provision by portfolio

RMB

Name	Bills receivables	Closing balance		Accrual percentage (%)
		Bad debt provision		
Low risk	1,618,955,031.02	-		0.00
Normal	69,403,747.17	1,943,304.92		2.80
Total	<u>1,688,358,778.19</u>	<u>1,943,304.92</u>		

(6) Credit loss provision

RMB

Classification	Opening balance	Changes in amount for the half year			Closing balance
		Provision	Transferred	Written off	
Normal	2,033,728.07	1,943,304.92	2,033,728.07		1,943,304.92
Total	<u>2,033,728.07</u>	<u>1,943,304.92</u>	<u>2,033,728.07</u>	<u>-</u>	<u>1,943,304.92</u>

4. TRADE RECEIVABLES

(1) Disclosed by aging

RMB

Aging	Book balance at the end of the half year
Within 1 year	1,075,907,783.00
1-2 years	31,030,895.83
2-3 years	804,725.37
Over 3 years	7,852,066.42
Total	<u>1,115,595,470.62</u>

(2) Disclosed by bad debt provision method

RMB

Classification	Closing balance		Bad debt provision		Book value
	Book balance			Accrual	
	Amount	Percentage (%)	Amount	percentage (%)	
Bad debt provision by single					
Including:					
單項金額重大並單項計提 壞賬準備的應收賬款	22,413,325.14	2.05	22,413,325.14	100.00	-
Bad debt provision by portfolio					
Including:					
Account receivable excluding component for significant financing	1,093,182,145.48	97.95	59,368,260.21	5.43	1,033,813,885.27
Total	<u>1,115,595,470.62</u>	<u>/</u>	<u>81,781,585.35</u>	<u>/</u>	<u>1,033,813,885.27</u>

Classification	Opening balance		Bad debt provision		Book value
	Book balance			Accrual	
	Amount	Percentage (%)	Amount	percentage (%)	
Bad debt provision by portfolio					
Including:					
Account receivable excluding component for significant financing	1,157,602,741.29	100.00	50,357,104.89	4.35	1,107,245,636.40
Total	<u>1,157,602,741.29</u>	<u>/</u>	<u>50,357,104.89</u>	<u>/</u>	<u>1,107,245,636.40</u>

Bad debt provision by single

RMB

Name	Book balance	Closing balance		Reason of provision
		Bad debt provision	Accrual percentage (%)	
GCLSI(Suzhou)	22,413,325.14	22,413,325.14	100.00	Trade receivables are expected to be uncollectible
Total	<u>22,413,325.14</u>	<u>22,413,325.14</u>	<u>100.00</u>	/

Bad debt provision by portfolio

RMB

Name	Trade receivables	Closing balance	
		Bad debt provision	Accrual percentage (%)
Normal	1,022,880,642.53	28,640,657.93	2.80
Concerned	52,895,718.29	13,321,817.62	25.19
Loss	17,405,784.66	17,405,784.66	100.00
Total	<u>1,093,182,145.48</u>	<u>59,368,260.21</u>	<u>5.43</u>

(3) Changes in bad debt provision

RMB

Classification	Opening balance	Changes in amount at the end of half year			Closing balance
		Provision	Transferred	Written off	
Bad debt provision	50,357,104.89	35,550,849.32	3,326,056.27	800,312.59	81,781,585.35
Total	<u>50,357,104.89</u>	<u>35,550,849.32</u>	<u>3,326,056.27</u>	<u>800,312.59</u>	<u>81,781,585.35</u>

(4) Receivables actually written off for the half year

RMB

Items	Amount written off
Receivables actually written off	<u><u>800,312.59</u></u>

(5) Details of top five trade receivables with the closing balances classified by the borrowers

RMB

Name	Relationship with the Company	Balance	Trade receivables	Closing balance
			Percentage of the total trade receivable (%)	of credit loss provision
Customer A	Third party	236,462,668.37	21.20	6,620,954.70
Customer B	Third party	179,453,065.37	16.09	5,024,685.83
Customer C	Third party	126,852,620.17	11.37	3,551,873.35
Customer D	Third party	102,988,155.54	9.23	2,883,668.35
Customer E	Third party	52,193,429.93	4.68	1,461,416.04
Total		<u><u>697,949,939.38</u></u>	<u><u>62.57</u></u>	<u><u>19,542,598.27</u></u>

5. ADVANCE PAYMENTS

(1) Listed by aging

RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
With 1 year	165,952,567.37	98.94	91,930,966.55	98.66
years	1,064,117.75	0.63	572,471.56	0.61
2-3 years	60,639.12	0.04	39,159.88	0.04
Over 3 years	657,582.56	0.39	640,867.97	0.69
Total	<u>167,734,906.80</u>	<u>100.00</u>	<u>93,183,465.96</u>	<u>100.00</u>

At the end of the year, the Group had no advance payments with an ageing of more than one year and an important amount.

(2) Details of top five advance payments with the closing balances classified by the payees:

RMB

Name	Relationship with the Company	Amount	Percentage of the total advance payments (%)	Closing balance of credit loss provision
Supplier A	Third party	103,795,889.30	61.88	-
Supplier B	Third party	8,482,369.32	5.06	-
Supplier C	Third party	7,067,208.14	4.21	-
Supplier D	Third party	5,924,598.09	3.53	-
Supplier E	Third party	5,765,997.89	3.44	-
Total		<u>131,036,062.74</u>	<u>78.12</u>	<u>-</u>

6. OTHER RECEIVABLES

Items

RMB

Items	Closing balance	Opening balance
Other receivables	<u>3,974,496.21</u>	<u>3,684,181.68</u>
Total	<u><u>3,974,496.21</u></u>	<u><u>3,684,181.68</u></u>

(1) Disclosed by aging

RMB

Aging	Closing book balance
Within 1 year	3,282,453.84
1-2 year	284,130.52
2-3 year	92,113.76
Over 3 years	<u>415,798.09</u>
Total	<u><u>4,074,496.21</u></u>

(2) Other receivables listed by classification by natures

RMB

Nature	Closing book balance	Opening book balance
Deposit	2,459,828.50	2,456,412.76
Margin	242,291.73	242,291.73
Reserve fund	296,027.83	205,834.45
Others	1,076,348.15	879,642.74
Total	<u>4,074,496.21</u>	<u>3,784,181.68</u>

(3) Bad debt provision

RMB

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	12 months ECL	Lifetime ECL (without credit impaired)	Lifetime ECL (with credit impaired)	
Balance at 1 January 2020	-	-	100,000.00	100,000.00
Balance at 1 January 2020 in current period				
- Transfers to Stage 2	-	-	-	
- Transfers to Stage 3	-	-	-	
- Transfers back to Stage 2	-	-	-	
- Transfers back to Stage 1	-	-	-	
Provision in current period	-	-	-	
Transferred in the current period	-	-	-	
Resold in the current period	-	-	-	
Written off in the current period	-	-	-	
Other changes	-	-	-	
Balance at 30 June 2020	<u>-</u>	<u>-</u>	<u>100,000.00</u>	<u>100,000.00</u>

(4) Bad debt condition

RMB

Category	Opening balance	Changed amounts in the current period			Closing balance
		Provided	Recovered or transferred	Resold or written off	
Bad debt provision	100,000.00	-	-	-	100,000.00
Total	100,000.00	-	-	-	100,000.00

(5) Details of top five other receivables with the closing balances classified by the borrowers:

RMB

Name	Nature of amount	Closing balance	Percentage of the total closing balance of other receivables (%)	Closing balance of bad debt provision
Transaction Party A	Margin	2,000,000.00	49.09	-
Transaction Party B	Deposit	212,291.73	5.21	-
Transaction Party C	Margin	100,000.00	2.45	-
Transaction Party D	Margin	50,000.00	1.23	50,000.00
Transaction Party E	Margin	50,000.00	1.23	50,000.00
Total	/	2,412,291.73	59.21	100,000.00

7. INVENTORIES

(1) Inventories category

RMB

Items	Book balance	Closing balance	
		Inventory impairment provision	Book value
Raw materials	189,557,624.81	-	189,557,624.81
Low-valued consumables	88,660,908.67	3,421,686.07	85,239,222.60
Work in progress	47,956,316.82	-	47,956,316.82
Finished goods	261,528,189.78	1,623,676.89	259,904,512.89
Total	<u>587,703,040.08</u>	<u>5,045,362.96</u>	<u>582,657,677.12</u>

Items	Book balance	Opening balance	
		Inventory impairment provision	Book balance
Raw materials	240,823,561.93	-	240,823,561.93
Low-valued consumables	87,513,814.99	2,783,814.87	84,730,000.12
Work in progress	46,323,120.27	-	46,323,120.27
Finished goods	112,656,064.67	913,099.82	111,742,964.85
Total	<u>487,316,561.86</u>	<u>3,696,914.69</u>	<u>483,619,647.17</u>

(2) Inventory impairment provision

RMB

Items	Opening balance	Increased amount	Decreased amount	Closing balance
		for the period	for the period	
		Provided	Transferred or resold	
Finished goods	913,099.82	710,577.07	-	1,623,676.89
Low-valued consumables	<u>2,783,814.87</u>	<u>2,234,374.79</u>	<u>1,596,503.59</u>	<u>3,421,686.07</u>
Total	<u>3,696,914.69</u>	<u>2,944,951.86</u>	<u>1,596,503.59</u>	<u>5,045,362.96</u>

8. OTHER CURRENT ASSETS

RMB

Items	Closing balance	Opening balance
Value-added tax recoverable	69,774,455.76	113,055,099.76
Prepaid income tax	49,102,891.61	46,103,407.17
Prepaid long-term borrowing service charge	7,651,285.60	-
Export tax rebate	5,386,845.35	5,265,275.24
Prepaid import tax	2,770,000.00	5,064,383.26
Prepaid rent	2,324,320.31	5,022,209.84
Total	<u>137,009,798.63</u>	<u>174,510,375.27</u>

9. LONG-TERM EQUITY INVESTMENT

RMB

Invested Company	Opening balance	Increase/decrease at the end of the half year		Closing balance
		Additional investment	Investment gains and loss recognized under the equity methods	
I. joint venture	-	-	-	-
II. associate	-	11,300,000.00	641,580.62	11,941,580.62
Jiaxing Kaihong Flat Supply Chain Management Co., Ltd. (嘉興凱鴻福萊特供應鏈管理有限公司)	-	800,000.00	641,580.62	1,441,580.62
Fengyang Sinopec Kunlun Fuel Gas Co., Ltd. (鳳陽中石昆侖燃氣有限公司)	-	10,500,000.00	-	10,500,000.00
Sub-total	-	11,300,000.00	641,580.62	11,941,580.62
Total	-	11,300,000.00	641,580.62	11,941,580.62

10. INVESTMENT PROPERTIES

RMB

Items	House and buildings	Land use rights	Total
I. Book value			
1. Opening balance	27,486,623.54	7,525,892.36	35,012,515.90
2. Amount increased in the current period	–	–	–
3. Amount decreased in the current period	–	–	–
4. Closing balance	<u>27,486,623.54</u>	<u>7,525,892.36</u>	<u>35,012,515.90</u>
II. Accumulated depreciation and accumulated amortization	–		
1. Opening balance	11,874,887.19	1,472,456.88	13,347,344.07
2. Amount increased in the current period	633,932.04	81,803.16	715,735.20
(I) Provided or amortized	633,932.04	81,803.16	715,735.20
3. Amount decreased in the current period	–	–	–
4. Closing balance	<u>12,508,819.23</u>	<u>1,554,260.04</u>	<u>14,063,079.27</u>
III. Book value	–		
1. Closing book value	14,977,804.31	5,971,632.32	20,949,436.63
2. Opening book value	<u>15,611,736.35</u>	<u>6,053,435.48</u>	<u>21,665,171.83</u>

11. FIXED ASSETS

Items

RMB

Items	Closing balance	Opening balance
Fixed assets	<u>3,227,193,329.83</u>	<u>3,070,665,219.42</u>
Total	<u>3,227,193,329.83</u>	<u>3,070,665,219.42</u>

(1) Fixed assets condition

RMB

Items	House and building	Machinery and equipment	Transportation equipment	Other equipment	Total
I. Book value					
1. Opening balance	1,178,743,301.38	3,115,887,972.66	52,306,864.62	44,640,593.63	4,391,578,732.28
2. Amount increased in the current period	30,687,568.07	321,841,162.84	8,637,522.20	5,284,068.26	366,450,321.37
(1) Purchase	752,293.58	18,511,129.14	6,963,105.12	1,407,701.91	27,634,229.75
(2) Transferred from construction in progress	29,935,274.49	303,330,033.70	1,674,417.08	3,876,366.35	338,816,091.62
3. Amount decreased in the current period	-	(162,863,194.81)	(269,230.77)	(2,564,780.74)	(165,697,206.32)
(1) Disposal or scrap	-	(53,105,285.61)	(269,230.77)	(2,564,780.74)	(55,939,297.12)
(2) Transferred to construction in progress	-	(109,757,909.20)	-	-	(109,757,909.20)
4. Difference on translation of foreign currency financial statements	-	2,786.57	3,962.09	-	6,748.66
5. Closing balance	1,209,430,869.45	3,274,868,727.26	60,679,118.14	47,359,881.15	4,592,338,595.99
II. Accumulated depreciation					
1. Opening balance	292,611,549.81	937,428,463.41	37,854,207.95	36,926,211.10	1,304,820,432.27
Amount increased in the current period	28,548,986.53	143,566,905.87	2,712,788.95	1,737,482.09	176,566,163.44
(1) Provided	28,548,986.53	143,566,905.87	2,712,788.95	1,737,482.09	176,566,163.44
3. Amount decreased in the current period	-	(117,377,362.69)	(255,769.23)	(2,438,141.71)	(120,071,273.63)
(1) Disposal or scrap	-	(35,653,014.03)	(255,769.23)	(2,438,141.71)	(38,346,924.97)
(2) Transferred to construction in progress	-	(81,724,348.66)	-	-	(81,724,348.66)
4. Difference on translation of foreign currency financial statements	-	-	371.44	-	371.44
5. Closing balance	321,160,536.34	963,618,006.59	40,311,599.11	36,225,551.48	1,361,315,693.52
III. Impairment provision					
1. Opening balance	-	15,974,759.99	-	118,320.61	16,093,080.60
2. Amount increased in the current period	-	13,332,775.95	-	-	13,332,775.95
(1) Disposal	-	13,332,775.95	-	-	13,332,775.95
3. Amount decreased in the current period	-	(25,477,963.29)	-	(118,320.61)	(25,596,283.90)
(1) Disposal or scrap	-	(12,145,187.34)	-	(118,320.61)	(12,263,507.95)
(2) Transferred to construction in progress	-	(13,332,775.95)	-	-	(13,332,775.95)
4. Closing balance	-	3,829,572.65	-	-	3,829,572.65
IV. Book value					
1. Closing book value	888,270,333.11	2,307,421,148.02	20,367,519.02	11,134,329.67	3,227,193,329.83
Opening book value	886,131,751.57	2,162,484,749.26	14,452,656.67	7,596,061.92	3,070,665,219.42

At the end of the current year, the fixed assets with a book value of RMB1,537,894,499.91 (end of the previous year: RMB1,612,140,382.99) were used as collateral for short-term borrowings and long-term borrowings.

(2) At the end of current period, the Group's temporarily idle fixed assets

RMB

Items	Book value	Accumulated depreciation	Impairment provision	Net book value
Machinery and equipment	<u>7,306,725.23</u>	<u>3,477,152.58</u>	<u>3,829,572.65</u>	<u>-</u>

At the end of the current year, the Group's idle fixed assets included the fixed assets of the Company and its subsidiary, Zhejiang Jiafu. The Group considers that the above idle assets are no longer suitable for future production needs, and the management makes provision for impairment of related assets in accordance with the lower of the book value and the recoverable amount.

(3) Fixed assets of the Group without property right certificate at the end of the current period

RMB

Items	Book value	Reasons for failure to complete the property right certificate
23 and 24F, Building B, Xiuzhou Chamber of Commerce	<u>12,161,430.00</u>	Property right certificate is still in process

12. CONSTRUCTION IN PROGRESS

Items

RMB

Items	Closing balance	Opening balance
Construction in progress	1,034,237,328.97	928,857,629.12
Engineering materials	13,846,869.80	7,970,915.02
Total	<u>1,048,084,198.77</u>	<u>936,828,544.14</u>

Construction in progress

(1) Construction in progress

RMB

Items	Book balance	Closing balance Impairment provision	Book value
Vietnam Flat PV glass production line Annual production of 42 million square meters of PV backplane project	741,952,730.17	-	741,952,730.17
Cold repair project of the second line of float glass process	104,418,554.46	-	104,418,554.46
Anhui Flat annual output of 750,000 tons of PV cover glass project	61,430,427.12	-	61,430,427.12
Jiafu phase I cold repair project	49,608,386.82	-	49,608,386.82
Anhui Flat annual output of 900,000 tons of PV cover glass project	32,476,778.69	-	32,476,778.69
PV phase I cold repair project	22,568,970.06	-	22,568,970.06
Machinery and equipment to be installed and others	15,456,785.28	-	15,456,785.28
	6,324,696.37	-	6,324,696.37
Total	<u>1,034,237,328.97</u>	<u>-</u>	<u>1,034,237,328.97</u>

RMB

Items	Book balance	Opening balance	
		Impairment provision	Book balance
Vietnam Flat PV glass production line	546,338,600.58	–	546,338,600.58
Jiafu phase I cold repair project	243,069,979.16	–	243,069,979.16
Annual production of 42 million square meters of PV backplane project	76,250,671.39	–	76,250,671.39
Cold repair project of the second line of float glass process	37,389,452.51	–	37,389,452.51
Anhui Flat annual output of 900,000 tons of PV cover glass project	16,043,897.48	–	16,043,897.48
Machinery and equipment to be installed and others	9,765,028.00	–	9,765,028.00
Total	<u>928,857,629.12</u>	<u>–</u>	<u>928,857,629.12</u>

(2) Changes in major construction projects in progress in the current year

RMB

Project name	Budget	Opening amount	Increase in the current year	Transfer amount from fixed assets in the current year	Closing amount	Project cumulative investment accounted for the proportion of the budget	Project progress	Accumulated amount of interest capitalization	Including: the amount of interest capitalization in the current year	Capitalization rate of interest in the current year (%)	Sources of funds
Vietnam Flat PV glass production line	1,200,000,000.00	546,338,600.57	195,614,129.60	-	741,952,730.17	62%	62%	90,154,242.90	17,115,241.58	5.05	Self-funds/Special borrowings
Annual production of 42 million square meters of PV backplane project	350,000,000.00	76,250,671.39	28,167,883.07	-	104,418,554.46	30%	30%	-	-	-	Self-funds
Cold repair project of the second line of float glass process	92,072,263.30	37,389,452.51	24,040,974.61	-	61,430,427.12	67%	67%	-	-	-	Self-funds
Ahnu Flat annual output of 750,000 tons of PV cover glass project	1,751,683,600.00	1,245,203.02	41,363,103.80	-	49,608,386.82	3%	3%	5,204,633.33	5,204,633.33	5.05	Self-funds/Special borrowings
Jiafu phase I cold repair project	350,000,000.00	243,069,979.16	103,102,506.36	313,775,706.83	32,476,778.69	99%	99%	-	-	-	Self-funds
Ahnu Flat annual output of 900,000 tons of PV cover glass project	1,410,000,000.00	16,043,897.48	26,755,845.30	20,210,772.72	22,508,970.06	99%	99%	49,544,570.60	-	-	Self-funds/Special borrowings
PV phase I cold repair project	120,000,000.00	-	15,456,785.28	-	15,456,785.28	13%	13%	-	-	-	Self-funds
Total	5,273,755,863.30	920,337,884.13	441,561,228.02	333,986,479.55	1,027,912,632.60	/	/	144,903,246.83	22,319,874.91	/	/

- (3) At the end of the current year, there was no indication of impairment of the Group's construction in progress, so no provision for impairment was made.

Engineering materials

RMB

Items	Book balance	Closing balance	
		Impairment provision	Book value
fireproofing	4,970,662.10	–	4,970,662.10
Specialized equipment	1,150,442.48	–	1,150,442.48
Others	7,725,765.22	–	7,725,765.22
Total	<u>13,846,869.80</u>	<u>–</u>	<u>13,846,869.80</u>

Items	Book balance	Opening balance	
		Impairment provision	Book value
Specialized equipment	1,308,403.19	–	1,308,403.19
Others	6,662,511.83	–	6,662,511.83
Total	<u>7,970,915.02</u>	<u>–</u>	<u>7,970,915.02</u>

13. RIGHT-OF-USE ASSETS

	<i>RMB</i>	
Items	Land	Total
I. Book value		
1. Opening balance	201,430,039.79	201,430,039.79
2. Amount increased in the current period	—	—
(1) Increased	—	—
3. Exchange difference on foreign currency financial statements translation	2,694,157.08	2,694,157.08
4. Closing balance	204,124,196.87	204,124,196.87
II. Accumulated depreciation		
1. Opening balance	12,499,485.26	12,499,485.26
2. Amount increased in the current period	2,534,992.44	2,534,992.44
(1) provided	2,534,992.44	2,534,992.44
3. Exchange difference on foreign currency financial statements translation	176,854.65	176,854.65
4. Closing balance	15,211,332.35	15,211,332.35
III. Book value		
1. Closing book value	188,912,864.52	188,912,864.52
2. Opening book value	188,930,554.53	188,930,554.53

14. INTANGIBLE ASSETS

RMB

Items	Land use right	Emission on rights	Mining rights	Software	Total
I. Book value					
1. Opening balance	335,114,610.92	30,418,912.45	232,964,000.00	7,595,886.72	606,093,410.09
2. Amount increased in the current period	60,233,370.00	8,909.59	–	–	60,242,279.59
(1) Purchase	60,233,370.00	8,909.59	–	–	60,242,279.59
3. Closing balance	<u>395,347,980.92</u>	<u>30,427,822.04</u>	<u>232,964,000.00</u>	<u>7,595,886.72</u>	<u>666,335,689.68</u>
II. Accumulated amortization					
1. Opening balance	48,203,614.67	23,440,576.28	106,225,779.18	1,092,968.47	178,962,938.60
2. Amount increased in the current period	3,800,814.65	1,750,243.52	11,158,499.19	305,696.55	17,015,253.91
(1) Provided	3,800,814.65	1,750,243.52	11,158,499.19	305,696.55	17,015,253.91
3. Closing balance	<u>52,004,429.32</u>	<u>25,190,819.80</u>	<u>117,384,278.37</u>	<u>1,398,665.02</u>	<u>195,978,192.51</u>
III. Book value					
1. Closing book value	343,343,551.60	5,237,002.24	115,579,721.63	6,197,221.70	470,357,497.17
2. Opening book value	<u>286,910,996.25</u>	<u>6,978,336.17</u>	<u>126,738,220.82</u>	<u>6,502,918.25</u>	<u>427,130,471.49</u>

At the end of the current period, the land use right with the net value of RMB177,773,066.31 (at the end of the last year: RMB179,948,687.53) was used for mortgages to obtain borrowings.

Note 1: Emission rights refer to payments made to the government agency, Jiaxing Emissions Trading Center, for the right to emit exhausted gas and wastewater. The relevant emission rights costs are calculated based on the emissions obtained by the Group. The emission rights are amortized over the useful lives of the straight-line method.

Note 2: Mining exploitation rights refer to the right of the Group to mine a quartz ore mine located in Fengyang County, Anhui Province, China. Mining rights are amortized on a production basis. The mine is operated by Anhui Flat Material. The local government granted the mining rights license for Anhui Flat Material from 2012 to 2022 for a period of ten years.

15. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

(1) Deferred tax assets before offsetting

RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	8,874,935.61	1,375,663.59	19,789,995.29	2,994,291.49
Provision for credit loss	83,824,890.26	13,978,433.23	52,490,832.96	9,428,329.37
Deferred revenue	39,224,064.72	6,191,416.24	45,408,644.70	7,087,020.10
Deductible losses	30,876,895.25	7,719,223.81	27,969,454.38	6,992,363.60
Depreciation difference for fixed assets	28,355,794.23	4,253,369.13	27,390,091.61	4,108,513.74
Profit and loss arising from changes in fair value	515,961.54	77,394.23	179,452.24	44,863.06
Total	<u>191,672,541.61</u>	<u>33,595,500.23</u>	<u>173,228,471.18</u>	<u>30,655,381.36</u>

(2) Deferred tax liabilities before offsetting

RMB

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Property revaluation arising from conversion to a joint stock company	14,316,544.66	2,147,481.70	14,915,897.34	2,237,384.60
Accelerated depreciation of fixed assets	317,550,480.10	74,748,643.48	343,648,763.73	80,333,711.71
Trial production cost	70,444,666.83	15,696,263.70	74,254,329.85	16,544,529.20
Profit and loss arising from changes in fair value	488,878.16	122,219.54	379,492.22	56,923.83
Total	<u>402,800,569.75</u>	<u>92,714,608.42</u>	<u>433,198,483.14</u>	<u>99,172,549.34</u>

(3) **The net balances of deferred tax assets or liabilities after offsetting**

RMB

Items	Offset amount of deferred tax assets and liabilities at the end of the period	deferred tax assets or liabilities after offsetting	Offset amount of deferred tax assets and liabilities at the end of the period	deferred tax assets or liabilities after offsetting
Deferred tax assets	10,520,810.73	23,074,689.50	12,196,792.13	18,458,589.23
Deferred tax liabilities	10,520,810.73	82,193,797.69	12,196,792.13	86,975,757.21

(4) **Deductible losses and other temporary difference of unrecognized deferred tax asset Items:**

RMB

Items	Closing balance	Opening balance
Deductible losses	34,682,653.34	26,474,183.91
Others	1,294,624.59	1,508,512.12
Total	35,977,277.93	27,982,696.03

(5) **The deductible losses of unrecognized deferred tax assets will expire in the following years:**

RMB

	Closing balance	Opening balance
2020	2,070,947.48	2,070,947.48
2021	5,383,141.31	5,383,141.32
2022	2,253,828.56	2,253,828.56
2023	5,267,794.80	5,267,794.80
2024	11,498,471.76	11,498,471.75
2025	8,208,469.43	
Total	<u>34,682,653.34</u>	<u>26,474,183.91</u>

16. OTHER NON-CURRENT ASSETS

RMB

Items	Closing balance	Opening balance
Construction prepayment	304,348,224.44	266,522,264.83
Purchase land deposit	7,100,000.00	2,400,000.00
Total	<u>311,448,224.44</u>	<u>268,922,264.83</u>

17. SHORT-TERM BORROWINGS

RMB

Items	Closing balance	Opening balance
Mortgaged borrowings	927,331,429.84	672,776,859.40
Bill discounting borrowings	203,589,009.47	341,723,029.12
Credit borrowings	380,000,000.00	301,777,594.27
Total	<u>1,510,920,439.31</u>	<u>1,316,277,482.79</u>

At the end of the current year, the Group had no short-term borrowings that were overdue.

18. DERIVATIVE FINANCIAL LIABILITIES

RMB

Items	Closing balance	Opening balance
Foreign exchange option contract	426,311.79	917,754.01
Interest rate swap contracts	515,961.54	–
Total	<u>942,273.33</u>	<u>917,754.01</u>

Note: Unexpired forward foreign exchange contracts and foreign exchange option contracts are not designated as hedging instruments, and the gains or losses arising from changes in fair value are recognised directly in profit or loss in current period.

19. BILLS PAYABLES

RMB

Items	Closing balance	Opening balance
Bank acceptance bills	332,658,368.06	338,562,948.43
Total	<u>332,658,368.06</u>	<u>338,562,948.43</u>

20. TRADE PAYABLES

(1) Trade payables

RMB

Items	Closing balance	Opening balance
Trade payables	1,171,826,836.56	1,224,384,872.92
Construction costs payable	439,681,697.84	630,320,769.67
Total	<u>1,611,508,534.40</u>	<u>1,854,705,642.59</u>

(2) Significant trade payables with ageing over 1 year

RMB

Items	Closing balance	Reasons of outstanding or carry-over
Construction costs payables	10,675,227.74	Project warranty has not yet expired and been repaid
Trade	4,839,911.17	The payable is for a product quality dispute, and payment will be made after the dispute is resolved
Total	<u>15,515,138.91</u>	/

21. CONTRACT LIABILITIES

RMB

Items	Closing balance	Opening balance
Goods payment	<u>33,771,572.97</u>	<u>24,993,817.16</u>
Total	<u>33,771,572.97</u>	<u>24,993,817.16</u>

22. PAYROLL PAYABLE

(1) Listing of payroll payable

<i>RMB</i>				
Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term remuneration	30,736,346.69	140,974,508.21	140,534,852.58	31,176,002.32
II. Post-employment welfare – Defined contribution plan	1,021,944.11	6,030,744.34	6,705,734.79	346,953.66
Total	31,758,290.80	147,005,252.55	147,240,587.37	31,522,955.98

(2) Listing of short-term remuneration

<i>RMB</i>				
Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	26,787,951.72	128,846,381.65	125,495,210.26	30,139,123.11
II. Staff welfare	–	2,536,667.24	2,536,667.24	–
III. Social insurance	626,024.70	4,727,924.83	4,999,699.04	354,250.49
Including: Medical insurance	544,236.00	4,141,406.95	4,384,856.90	300,786.05
Work-related injury insurance	46,418.20	426,085.43	437,331.39	35,172.24
Maternity insurance	35,370.50	160,432.45	177,510.75	18,292.20
IV. Housing funds	633,192.44	4,421,883.48	4,407,608.92	647,467.00
V. Labor union & education funds	2,689,177.83	441,651.01	3,095,667.12	35,161.72
Total	30,736,346.69	140,974,508.21	140,534,852.58	31,176,002.32

(3) Listing of defined contribution plan

	<i>RMB</i>			
Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension insurance	986,573.61	5,821,664.45	6,471,660.79	336,577.27
2. Unemployment insurance	35,370.50	209,079.89	234,074.00	10,376.39
Total	<u>1,021,944.11</u>	<u>6,030,744.34</u>	<u>6,705,734.79</u>	<u>346,953.66</u>

Defined contribution plan:

The Group participates in pension insurance and unemployment insurance schemes established by government agencies as required. According to these schemes, the Group pays monthly fees to these plans at 14% and 0.5% of the employees' basic wages. Except for the above monthly paid fees, the Group does not undertake further payment obligations. The corresponding expenses are recognised in profit or loss in the period in which they are incurred.

During the period from 1 January to 30 June 2020, the Group should pay a total of RMB5,821,664.45 and RMB209,079.89 to the pension insurance and unemployment insurance schemes respectively. As of 30 June 2020, there were RMB 336,577.27 and RMB10,376.39 that had been accrued but unpaid for the pension insurance and unemployment insurance schemes. The payables have been paid after the report period.

23. TAXES PAYABLE

RMB

Items	Closing balance	Opening balance
Enterprise income tax	84,226,562.30	86,893,499.25
VAT	1,043,020.97	25,664,110.89
City maintenance and construction tax	1,890,158.47	4,531,456.38
education surtax and local education surtax	1,542,826.05	3,419,497.34
Individual income tax	294,620.18	4,411,541.98
Other	5,929,836.88	4,432,174.93
Total	<u>94,927,024.85</u>	<u>129,352,280.77</u>

24. OTHER PAYABLES

Items

RMB

Items	Closing balance	Opening balance
Interest payables	4,193,069.85	4,831,749.01
Other payables	56,070,978.30	40,711,453.51
Total	<u>60,264,048.15</u>	<u>45,543,202.52</u>

(1) Interest payables

RMB

Items	Closing balance	Opening balance
Interest for long-term borrowings with interest paid in installment and principal paid due to maturity	1,241,204.16	893,964.04
Interest payable for short-term borrowings	2,411,591.72	3,937,784.97
Interest payable for Convertible Bonds	540,273.97	—
Total	<u>4,193,069.85</u>	<u>4,831,749.01</u>

(2) Other payables

RMB

Items	Closing balance	Opening balance
Warranty	33,417,300.00	16,714,600.00
Transportation premium	18,247,552.30	18,207,409.63
Intermediary agency service fee	819,811.34	779,816.51
Other	3,586,314.66	5,009,627.37
Total	<u>56,070,978.30</u>	<u>40,711,453.51</u>

At the end of the year, the Group had no other payables with an ageing of more than one year and a significant amount.

25. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

RMB

Items	Closing balance	Opening balance
Long-term borrowings due within 1 year	<u>20,116,906.16</u>	<u>711,977,777.21</u>
Total	<u><u>20,116,906.16</u></u>	<u><u>711,977,777.21</u></u>

26. LONG-TERM BORROWINGS

RMB

Items	Closing balance	Opening balance
Pledged borrowings	698,902,082.19	711,977,777.21
Secured borrowings	255,410,072.30	281,902,410.30
Less: pledged borrowings due within 1 year		711,977,777.21
Less: secured borrowings due within 1 year	<u>20,116,906.16</u>	
Total	<u><u>934,195,248.33</u></u>	<u><u>281,902,410.30</u></u>

27. BONDS PAYABLES

(1) Bonds payables

RMB

Projects	Closing balance	Opening balance
Convertible corporate bonds	<u>1,191,996,491.65</u>	<u>—</u>
Total	<u><u>1,191,996,491.65</u></u>	<u><u>—</u></u>

(2) Changes in bonds payable

RMB

Name of bond	Par value	Issuing date	Term of the bond		Opening balance	Issuance for the current period	Accrued interests at		Repayment for the period	期末餘額
			Issue amount				par value	Amortization of premium/discount		
Flat convertible bonds(SH:113035)	100	2020/5/27	6 years	1,450,000,000.00	-	1,187,332,132.29	540,273.97	5,204,633.33	-	1,191,996,491.65
Total	/	/	/	1,450,000,000.00	-	1,187,332,132.29	540,273.97	5,204,633.33	-	1,191,996,491.65

(3) Description of conditions and timing of conversion for convertible bonds

As approved by “CSRC Approval [2020] No.294” of CSRC, the Company issued 14.50 million convertible bonds with a par value of RMB100 on 27 May 2020. The annual coupon rate for convertible bonds in this Issuance is 0.4% in the first year, 0.6% in the second year, 1.0% in the third year, 1.5% in the fourth year, 1.8% in the fifth year and 2.0% in the sixth year, respectively, and the interest is payable annually on each anniversary of the date of the issuance of the convertible bonds. Where such a date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the next trading day, with no additional interest accrued during the period of postponement. The conversion period in this Issuance commences on the first trading day immediately following the expiry of the six-month period after the date of issuance of convertible bonds (2 June 2020) and ends on the maturity date of convertible bonds. The initial conversion price is RMB13.56 per share. During the conversion period in this Issuance, the Company will adjust the conversion price, upon the occurrence of distribution of stock dividend, capitalization issue, issuance of new shares, rights issue or distribution of cash dividend.

At the initial measurement of the convertible corporate bonds of the Company in this Issuance, the fair value of the liability after deducting the issue expenses that should be amortized amounted to RMB1,187,332,132.29, which should be included in bonds payables, and the fair value of the equity after deducting the issue expenses that should be amortized amounted to RMB254,089,565.81, which should be included in other equity instruments. And the amortized cost of liability adjust and provided at the effective interest method amounted to RMB4,664,359.36 for the current period.

28. LEASE LIABILITIES

RMB

Items	Closing balance	Opening balance
Lease liabilities	<u>10,952,196.15</u>	<u>11,016,173.42</u>
Total	<u><u>10,952,196.15</u></u>	<u><u>11,016,173.42</u></u>

29. DEFERRED REVENUE

RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Government grant	<u>45,408,644.70</u>	<u>–</u>	<u>6,184,579.98</u>	<u>39,224,064.72</u>
Total	<u><u>45,408,644.70</u></u>	<u><u>–</u></u>	<u><u>6,184,579.98</u></u>	<u><u>39,224,064.72</u></u>

涉及政府補助的項目：

RMB

Items	Opening balance	Increase amount for the period	Amount account for the other revenue	Closing balance	Asset-related/revenue-related
Jiaxing City 2011 supported major investment items – TCO ultrawhite conductive film project grant 1#Float Kiln	5,500,000.00		1,500,000.00	4,000,000.00	Asset-related
Zhejiang Finance Department 2011 industrial transformation and upgrading technical transformation grant – annual output of 170,000 tons of solar thin film battery ultrawhite conductive film glass and deep processing project 1#PV kiln	366,666.69		100,000.00	266,666.69	Asset-related
Jiaxing City 2011 industrial development fund grant-production of 170,000 tons of solar thin film battery ultra-white conductive film glass and deep processing project 1# photovoltaic kiln	366,666.69		100,000.00	266,666.69	Asset-related
Jiaxing City 2009 supported major investment items – TCO ultrawhite conductive film project grant 1#Float Kiln	3,666,666.63		1,000,000.00	2,666,666.63	Asset-related
Jiaxing City 2012 first batch of industrial development fund grantannual output of 170,000 tons of low – E glass and deep processing project 2# float kiln	533,333.14		100,000.00	433,333.14	Asset-related

Items	Opening balance	Increase amount for the period	Amount account for the other revenue	Closing balance	Asset-related/revenue-related
Jiaxing City 2012 provincial energy-saving financial grant – 2 production lines of furnace flue gas waste heat utilization Phase II project with supporting construction of waste heat boilers and steam turbine generator sets	390,291.47		50,000.00	340,291.47	Asset-related
Annual production of 15 million square meters of solar photovoltaic ultra-white glass expansion project	1,424,778.50		250,000.02	1,174,778.48	Asset-related
Jiaxing City 2012 first batch of industrial development fund grant – 2*600t/d glass melting furnace flue gas waste heat power generation first phase construction's technical transformation project	283,495.34		50,000.00	233,495.34	Asset-related
TCO ultra-white conductive film project grant	3,510,862.91		750,000.00	2,760,862.91	Asset-related
Jiaxing City 2012 first batch of industrial development fund subsidy – annual output of 15 million square meters of solar photovoltaic ultrawhite glass project 1# photovoltaic kiln	1,950,494.85		250,000.00	1,700,494.85	Asset-related
2014 industrial transformation and upgrading items (central infrastructure investment) Flat Glass annual production of 5.8 million square meters LOW-E glass deep processing project	4,650,000.00		465,000.00	4,185,000.00	Asset-related
Glass melting furnace flue gas denitrification technology project grant	7,026,110.69		586,666.68	6,439,444.01	Asset-related

Items	Opening balance	Increase amount for the period	Amount account for the other revenue	Closing balance	Asset-related/ revenue-related
Jiaxing Finance Bureau 2011 glass melting furnace flue gas waste heat power generation project grant	1,479,999.80		185,000.00	1,294,999.80	Asset-related
The first phase of distributed PV project construction grant	4,683,840.00		167,280.00	4,516,560.00	Asset-related
The second phase of distributed PV project construction grant	1,320,545.67		46,607.52	1,273,938.15	Asset-related
Annual production of 5.8 million square meters LOW-E glass deep processing project	5,873,972.00		409,812.00	5,464,160.00	Asset-related
Annual production of 12 million square meters of high transparent photovoltaic glass project	2,380,920.32		174,213.76	2,206,706.56	Asset-related
Total	45,408,644.70		6,184,579.98	39,224,064.72	

30. SHARE CAPITAL

RMB

	Opening balance	Increase or decrease for the period (+,-)		Closing balance
		New shares issued	Other	
Total shares	487,500,000.00	–	–	487,500,000.00

At the end of the current period, the Group issued a total of 1,950,000,000 shares with a par value of RMB0.25 per share and a total share capital of RMB487,500,000.00.

31. Other Equity Instruments

(1) Basic information on preferred shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

As approved by “CSRC Approval [2020] No.294” of CSRC, the Company issued 14.50 million convertible bonds with a par value of RMB100 on 27 May 2020. The annual coupon rate for convertible bonds in this Issuance is 0.4% in the first year, 0.6% in the second year, 1.0% in the third year, 1.5% in the fourth year, 1.8% in the fifth year and 2.0% in the sixth year, respectively, and the interest is payable annually on each anniversary of the date of the issuance of the convertible bonds. Where such a date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the next trading day, with no additional interest accrued during the period of postponement. The conversion period in this Issuance commences on the first trading day immediately following the expiry of the six-month period after the date of issuance of convertible bonds (2 June 2020) and ends on the maturity date of convertible bonds. The initial conversion price is RMB13.56 per share. During the conversion period in this Issuance, the Company will adjust the conversion price upon the occurrence of distribution of stock dividend, capitalization issue, issuance of new shares, rights issue or distribution of cash dividend.

(2) Statement on changes in preferred shares, perpetual bonds and financial instruments that are outstanding at the end of the period

RMB

Outstanding financial instruments	Opening balance		Increase in the current period		Decrease in the current period		Closing balance	
	Number	Carrying value	Number	Number	Number	Carrying value	Number	Carrying value
Convertible corporate bonds	-	-	14,500,000.00	254,089,565.81	-	-	14,500,000.00	254,089,565.81
Total	-	-	14,500,000.00	254,089,565.81	-	-	14,500,000.00	254,089,565.81

32. CAPITAL RESERVE

RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
share premium	839,115,113.41	–	–	839,115,113.41
Total	839,115,113.41	–	–	839,115,113.41

33. OTHER COMPREHENSIVE INCOME

RMB

Items	Opening balance	Amount incurred in the current period			Amount attributable to minority shareholders after income tax	Closing balance
		Amount before income tax incurred in the current period	Less: income tax	Amount attributable to the Company after income tax		
I. Other comprehensive income that will not be reclassified into profit or loss afterwards	–	–	–	–	–	–
II. Other comprehensive income that will be reclassified into profit or loss afterwards	5,935,642.83	8,719,335.91	–	8,719,335.91	–	14,654,978.74
Including: Exchange differences on foreign currency financial statements translation	5,935,642.83	8,719,335.91	–	8,719,335.91	–	14,654,978.74
Total	5,935,642.83	8,719,335.91	–	8,719,335.91	–	14,654,978.74

34. SPECIAL RESERVE

	<i>RMB</i>			
Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production costs	11,810,858.31	1,667,623.41	–	13,478,481.72
Total	<u>11,810,858.31</u>	<u>1,667,623.41</u>	<u>–</u>	<u>13,478,481.72</u>

35. SURPLUS RESERVE

	<i>RMB</i>			
Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	193,555,355.70	–	–	193,555,355.70
Total	<u>193,555,355.70</u>	<u>–</u>	<u>–</u>	<u>193,555,355.70</u>

36. UNDISTRIBUTED PROFIT

RMB

Items	Current period	Last period
Undistributed profit of the last period before adjustments	2,974,971,417.75	2,423,524,157.41
Adjustment of total undistributed profit of the opening period (increase +, Decrease-)	—	—
Undistributed profit of the opening period after adjustments	2,974,971,417.75	2,423,524,157.41
Add: Net profit attributable to shareholders of the parent company in the current year	460,806,218.32	717,243,708.67
Less: Accrual of statutory surplus reserves	—	25,396,448.33
Dividends distribution	—	140,400,000.00
Closing balance of the undistributed profit	<u>3,435,777,636.07</u>	<u>2,974,971,417.75</u>

37. OPERATING REVENUE AND OPERATING COST

(1) Operating revenue and operating cost

RMB

Items	Amount for the period		Amount for last period	
	Revenue	Cost	Revenue	Cost
Main business	2,480,035,992.10	1,542,073,601.78	2,026,097,233.99	1,457,262,001.92
Other business	16,167,895.41	2,177,181.15	8,538,335.49	4,536,656.67
Total	<u>2,496,203,887.51</u>	<u>1,544,250,782.93</u>	<u>2,034,635,569.48</u>	<u>1,461,798,658.59</u>

(2) Revenue from contract

RMB

Contract classification	Total
By types of products	
PV glass	2,128,413,948.11
Float glass	4,514,168.94
Household glass	125,016,601.64
Architectural glass	183,942,461.30
Mining business	38,148,812.11
Other business	16,167,895.41
By source of revenue	
China	1,609,232,000.25
Asia	669,513,386.13
Europe	73,761,257.40
North America	131,288,437.03
Other	12,408,806.69

(3) Performance obligations:

The Group's main business activities are the production and sales of glass products. The Group shall ship the product to the customer's designated location or the product shall be picked up by the customer. The product is still controlled by the Group before the customer's acceptance confirmation. Only when the customer receives the product and the qualified acceptance is made, the control of the product is transferred to the customer and the Group recognises the revenue. After the customer makes the acceptance, the customer has full rights to decide the selling manner and price of the goods, and assumes the primary responsibility and the risk of loss associated with the goods. The Group requires dealer customers to fully prepay the purchase payment before the delivery of the goods, and the normal credit period for direct sales customers is 30 to 120 days after the acceptance of the goods.

The estimated contract period of the Group's sales contract does not exceed one year, so the transaction price allocated to the remaining performance obligation is not disclosed.

38. TAXES AND SURCHARGES

RMB

Items	Amount for the period	Amount for last period
City maintenance and construction tax	3,164,460.12	2,061,775.57
Education surtax	2,330,657.08	1,533,853.28
Property tax	2,007,201.01	2,562,383.46
Resource tax	2,670,416.85	2,300,174.29
Land use tax	4,860,391.44	2,128,000.66
Stamp duty	852,398.50	711,227.40
Environmental protection tax	651,736.95	817,051.01
Special fund for water conservancy construction	673,077.98	471,612.32
Others	8,348.64	14,484.04
Total	<u>17,218,688.57</u>	<u>12,600,562.03</u>

39. SELLING EXPENSES

RMB

Items	Amount for the period	Amount for last period
Transportation expenses	119,862,970.28	86,164,273.79
Advertising expenses	3,184,973.29	3,085,882.26
Employee compensation and welfare	5,204,014.59	4,395,005.53
Assembling frame charges	6,930,497.82	—
Depreciation and amortization	11,296.14	32,892.48
Others	1,073,743.81	2,309,088.04
Total	<u>136,267,495.93</u>	<u>95,987,142.10</u>

40. ADMINISTRATIVE EXPENSES

RMB

Items	Amount for the period	Amount for last period
Employee remuneration and benefits	26,786,090.39	22,529,396.96
Depreciation and amortization	9,686,080.53	6,838,886.70
Green and environmental protection expenses	2,822,198.62	3,218,462.56
Labor costs	1,842,975.65	1,524,653.23
Office expenses	2,488,338.22	2,722,780.39
Travelling expenses	821,382.58	1,253,941.23
Intermediary agency service fee	2,114,488.35	5,077,513.68
Transportation expenses	538,324.66	571,734.73
Repair and maintenance fee	724,667.66	494,261.25
Other	8,435,650.29	8,085,264.47
Total	<u>56,260,196.95</u>	<u>52,316,895.20</u>

41. RESEARCH AND DEVELOPMENT EXPENSES

RMB

Items	Amount for the period	Amount for last period
Employee remuneration and benefits	26,490,891.90	25,661,075.86
Direct material costs	62,086,377.04	70,117,771.56
Depreciation and amortization	8,113,852.33	8,484,933.88
Other	3,102,267.10	127,223.31
Total	<u>99,793,388.37</u>	<u>104,391,004.61</u>

42. FINANCE EXPENSES

	<i>RMB</i>	
Items	Amount for the period	Amount for last period
Interest expense	50,210,453.90	31,390,102.09
Interest income	(6,892,913.22)	(10,546,044.12)
Handing fee	1,077,594.81	718,331.28
Exchange loss (gains)	(2,004,963.71)	3,091,022.95
Total	42,390,171.78	24,653,412.20

43. OTHER REVENUE

	<i>RMB</i>	
Items	Amount for the period	Amount for last period
Distributed PV power generation project grant	3,403,174.52	4,492,914.25
Deferred income amortization	6,184,579.98	6,983,330.03
Social security fee refund income	3,077,032.83	8,594,214.92
Commission from tax withholding and remitting	52,644.71	—
Total	12,717,432.04	20,070,459.20

44. INVESTMENT INCOME

	<i>RMB</i>	
Items	Amount for the period	Amount for last period
Income from long-term equity investments under the equity method	641,580.62	–
Derivative tools without the specified hedging relationship	1,211,600.00	6,939,596.25
Including: Forward foreign exchange contract investment income	1,399,400.00	6,498,339.95
Foreign exchange option contract investment income (loss)	<u>(187,800.00)</u>	<u>441,256.30</u>
Total	<u><u>1,853,180.62</u></u>	<u><u>6,939,596.25</u></u>

45. GAINS AND LOSSES ARISING FROM CHANGES IN FAIR VALUE

	<i>RMB</i>	
Source of revenue of gains and loss arising from changes	Amount for the period	Amount for last period
Derivative tools without the specified hedging relationship		
– Gains and (losses) arising from changes in fair value of forward foreign exchange contracts	248,726.08	(1,687,550.16)
– Gains and (losses) arising from changes in fair value of foreign exchange option contracts	419,604.32	(630,448.14)
– Gains and (losses) arising from changes in fair value of interest rate swap contract	<u>(895,453.76)</u>	<u>(836,047.00)</u>
Total	<u><u>(227,123.36)</u></u>	<u><u>(3,154,045.30)</u></u>

46. CREDIT IMPAIRMENT LOSSES

RMB

Items	Amount for the period	Amount for last period
Bad debt losses of trade receivables	32,224,793.03	(5,414,248.54)
Bad debt losses of bill receivables	(90,423.15)	–
Bad debt losses of other receivables	–	(108,000.00)
Total	<u>32,134,369.88</u>	<u>(5,522,248.54)</u>

47. ASSETS IMPAIRMENT LOSSES

RMB

Items	Amount for the period	Amount for last period
Inventory impairment loss and contract cost impairment loss	2,944,951.86	(281,846.65)
Fixed asset impairment loss	13,332,775.95	–
Total	<u>16,277,727.81</u>	<u>(281,846.65)</u>

48. GAINS ON DISPOSAL OF ASSET

RMB

Items	Amount for the period	Amount for last period
Gains on disposal of fixed assets	573,695.29	4,957,747.21
Losses on disposal of fixed assets	(4,198,736.47)	(3,521,426.91)
Total	<u>(3,625,041.18)</u>	<u>1,436,320.30</u>

49. NON-OPERATING INCOME

Items	Amount for the period	Amount for last period	<i>RMB</i>
			Non-recurring profits and losses in the current period
Government grant	5,448,895.16	6,797,702.98	5,448,895.16
Others	901,464.43	1,278,199.35	901,464.43
Total	<u>6,350,359.59</u>	<u>8,075,902.33</u>	<u>6,350,359.59</u>

Government grant in the current profits and losses :

Items	Amount for the period	Amount for last period	<i>RMB</i>
			Asset-related/ revenue-related
Subsidies for the industrial and information development	2,450,000.00	–	Revenue
Special fund for the construction of new materials industry	1,150,000.00	1,400,000.00	Revenue
Subsidies for foreign trade and economic development	700,000.00	–	Revenue
Employment subsidy	500,000.00	–	Revenue
Subsidy for equipment upgrading, operation and maintenance of pollution source automatic monitoring system	360,000.00	–	Revenue
Subsidy for open economy project	223,000.00	–	Revenue
Land use tax grant	–	4,073,800.00	Revenue
Mayor Quality Award	–	500,000.00	Revenue
Advanced enterprises and advanced groups	–	170,000.00	Revenue
Economic transformation promotion reward	–	386,000.00	Revenue
Top ten private enterprises in Fengyang County	–	100,000.00	Revenue
Others	65,895.16	167,902.98	Revenue
Total	<u>5,448,895.16</u>	<u>6,797,702.98</u>	

50. NON-OPERATING EXPENSES

Items	<i>RMB</i>		
	Amount for the period	Amount for last period	Non-recurring profits and losses in the current period
External donations	3,126,430.97	45,000.00	3,126,430.97
Others	220,802.72	236.23	220,802.72
Total	<u>3,347,233.69</u>	<u>45,236.23</u>	<u>3,347,233.69</u>

51. INCOME TAX EXPENSES

Items	<i>RMB</i>	
	Amount for the period	Amount for last period
Current period income tax expenses	113,472,626.11	38,210,437.67
Income taxes made over (refunded) for the last year	451,854.67	(2,063,581.01)
Deferred income tax expenses	(9,398,059.79)	12,840,452.55
Total	<u>104,526,420.99</u>	<u>48,987,309.21</u>

Reconciliation between income tax expense and accounting profit is as follows:

	<i>RMB</i>
Items	Amount for the period
Total profit	565,332,639.31
Income tax expense calculated at tax rate of 15%	84,799,895.92
Effect of subsidiaries to adapt different tax rates	31,595,068.75
Effect of non-deductible costs, expenses and losses	–
Tax effect on tax exempt income	–
Effect on makeover (refund) of the income tax for last period	451,854.67
Tax effect on tax incentives	(349,507.83)
Effect of utilisation of previously unrecognised deferred income tax assets on deductible losses and deductible temporary differences	–
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	1,614,957.95
Effect on research and development costs plus deduction	(13,585,848.47)
Income tax expenses	104,526,420.99

52. ITEMS IN CASH FLOW STATEMENT

(1) Other cash received and related to operating activities

	<i>RMB</i>	
Items	Amount in the current period	Amount in the last period
Government grant	11,981,747.22	57,034,832.15
Interest income	6,892,913.22	10,546,044.12
Margin	900,000.00	100,000.00
Deposit	–	45,000.00
Others	901,464.43	1,538,199.35
Total	20,676,124.87	69,264,075.62

(2) Other cash paid and related to operating activities

RMB

Items	Amount in the current period	Amount in the last period
Paid fee	214,249,463.41	189,202,328.74
External donation expenditure	3,126,430.97	45,000.00
Bank handling charge	1,141,572.08	718,331.28
Margin	303,415.74	310,000.00
Others	407,701.52	181,741.86
Total	<u>219,228,583.72</u>	<u>190,457,401.88</u>

(3) Other cash received and related to investment activities

RMB

Items	Amount in the current period	Amount in the last period
Recovery of restricted monetary funds	226,909,481.29	49,871,478.46
Margin	18,109,300.00	438,000.00
Total	<u>245,018,781.29</u>	<u>50,309,478.46</u>

(4) Other cash paid and related to investment activities

RMB

Items	Amount in the current period	Amount in the last period
Payment of restricted monetary funds	1,513,845,633.76	63,990,462.60
Cash paid for investment losses	187,800.00	65,200.00
Project margin	2,106,600.00	4,990,000.00
Total	<u>1,516,140,033.76</u>	<u>69,045,662.60</u>

(5) Other cash received and related to fundraising activities

RMB

Items	Amount in the current period	Amount in the last period
Recovery of restricted monetary funds	165,787,352.07	107,801,794.57
Total	<u>165,787,352.07</u>	<u>107,801,794.57</u>

(6) Other cash paid and related to fundraising activities

RMB

Items	Amount in the current period	Amount in the last period
Payment of restricted monetary funds	208,547,906.86	146,616,763.58
Charge of one-off payment of long-term borrowing	7,651,285.60	—
Issuing convertible bonds fee	2,603,301.90	—
A-share listing fee	—	1,773,114.11
Total	<u>218,802,494.36</u>	<u>148,389,877.69</u>

53. Supplementary Information for Cash Flow Statement

(1) Supplementary information for cash flow statement

RMB

Supplemental information	Amount in the current period	Amount in the last period
Net profit	460,806,218.32	261,419,486.90
Add: Asset impairment provision (transfer)	16,277,727.81	281,846.65
Credit impairment losses	32,134,369.88	5,522,248.54
Investment property amortization	715,735.20	715,735.20
Depreciation of fixed assets	176,566,163.44	134,376,988.08
Amortization of intangible assets	17,015,253.91	15,657,840.00
Depreciation of right-of-use assets	2,471,015.17	
Losses for disposal of fixed assets, intangible assets and other long-term assets	3,625,041.18	(1,436,320.30)
Fair value change losses (gains)	227,123.36	3,154,045.30
Financial expenses	50,210,453.90	31,390,102.09
Investment loss	(1,853,180.62)	(6,939,596.25)

Supplemental information	Amount in the current period	Amount in the last period
Decrease in deferred income tax assets (less: increase)	(4,616,100.27)	12,840,452.56
Decrease in deferred income tax liabilities (increase)	(4,781,959.52)	–
Decrease in inventory (less: increase)	(101,982,981.81)	(95,100,961.92)
Decrease of operating receivables (less: increase)	68,364,852.61	(655,258,882.75)
Increase in operating payables (less: decrease)	93,208,505.70	408,183,008.29
Others	(4,516,956.57)	(6,983,330.03)
Net cash flow from operating activities	<u>803,871,281.69</u>	<u>107,822,662.36</u>

(2) Component of cash and cash equivalents

RMB

Items	Closing balance	Opening balance
I. Cash	809,404,142.37	479,068,091.59
Including: Cash on hand	78,651.14	20,326.96
Blank deposit available for payment	809,325,491.23	479,047,764.63
II. Cash equivalents		
III. Cash and cash equivalents at the end of the year	<u>809,404,142.37</u>	<u>479,068,091.59</u>

54. ASSETS WITH RESTRICTED OWNERSHIP OR USE RIGHTS

RMB

Items	Book value at the end of the half year	Reasons for restriction
Monetary funds	1,463,628,980.51	Bank financing, bills deposits, etc.
Bills receivable	306,885,984.65	Pledged to bank to obtain discount
Invested properties	20,949,436.63	Pledged to bank to obtain credit facilities
Fixed assets	1,537,894,499.91	Pledged to bank to obtain credit facilities
Intangible assets	177,773,066.31	Pledged to bank to obtain credit facilities
Total	<u>3,507,131,968.01</u>	/

55. FOREIGN CURRENCY MONETARY ITEM

Items	Closing balance in foreign currency	Translation exchange rate	Closing balance translated in RMB
Cash at bank and on hand	–	–	
Including: USD	36,827,009.79	7.0795	260,716,815.81
EUR	2,279,536.85	7.9610	18,147,392.86
JPY	102,249,444.00	0.0658	6,728,831.41
HKD	62,579,997.33	0.9134	57,163,072.76
GBP	4,014.88	8.7144	34,987.27
VND	5,253,608,991.00	0.0003	1,609,038.44
CHF	1.46	7.4434	10.87
AUD	108,670.10	4.8657	528,756.11
Total			<u>344,928,905.53</u>
Trade receivables			
Including: USD	61,928,092.85	7.0795	438,419,947.50
JPY	3,576,705.00	0.0658	235,375.80
AUD	16,631.31	4.8657	80,922.97
EUR	617,445.12	7.9610	4,915,480.60
Total			<u>443,651,726.86</u>
Other receivables			
Including: HKD	3,970.00	0.9134	3,626.36
VND	1,396,324,044.00	0.0003	427,656.33
Total			<u>431,282.69</u>
Trade payables			
Including: USD	5,302,264.94	7.0795	37,537,384.86
JPY	79,000.00	7.9610	628,919.00
VND	17,499,445,866.00	0.0003	5,318,193.90
Total			<u>43,484,497.76</u>
Borrowings			
Including: USD	148,281,555.25	7.0795	1,049,759,270.39
Total			<u>1,049,759,270.39</u>

56. GOVERNMENT GRANTS

Types	Amount	Listed items	<i>RMB</i>
			Amounts included into current period profit or loss
Distributed PV power generation project grant	3,403,174.52	Other revenue	3,403,174.52
Government social insurance refund revenue	2,873,735.83	Other revenue	2,873,735.83
Subsidies for the industrial and information development	2,450,000.00	Non-operating revenue	2,450,000.00
Special fund for the construction of new materials industry	1,150,000.00	Non-operating revenue	1,150,000.00
Subsidies for foreign trade and economic development	700,000.00	Non-operating revenue	700,000.00
Employment subsidy	500,000.00	Non-operating revenue	500,000.00
Subsidy for equipment upgrading, operation and maintenance of pollution source automatic monitoring system	360,000.00	Non-operating revenue	360,000.00
Subsidy for open economy project	223,000.00	Non-operating revenue	223,000.00
Commission from tax withholding and remitting	52,644.71	Other revenue	52,644.71
Others	65,895.16	Non-operating revenue	65,895.16
Total	<u>11,778,450.22</u>		<u>11,778,450.22</u>

(VII) RISKS RELATED TO FINANCIAL INSTRUMENTS

At the end of the half year, major financial instruments of the Group include: cash at bank and on hand, derivative financial asset, bills receivables, trade receivables, other receivables, derivative financial liabilities, bills payable and trade payables, and other receivables, lease liabilities and borrowings. Details of each financial instruments are set out below:

RMB

Item	Closing balance	Opening balance
Financial asset		
Cash at bank and on hand	2,273,033,122.88	613,000,364.84
Derivative financial asset	915,189.95	1,117,793.99
Bills receivables	1,686,415,473.27	1,976,383,235.76
Trade receivables	1,033,813,885.27	1,107,245,636.40
Other receivables	3,974,496.21	3,684,181.68
Total	<u>4,998,152,167.58</u>	<u>3,701,431,212.67</u>
Financial liabilities		
Derivative financial liabilities	942,273.33	917,754.01
Bills payable	332,658,368.06	338,562,948.43
Trade payables	1,611,508,534.40	1,854,705,642.59
Other payables	56,070,978.30	40,711,453.51
Lease liabilities	10,952,196.15	11,016,173.42
Borrowings	2,469,425,663.65	2,314,989,419.31
Total	<u>4,481,558,013.89</u>	<u>4,560,903,391.27</u>

The risks related to financial instruments and the risk management policies for risk mitigation of the Group are stated as following. The management of the Company will management and supervise these risk exposures in order to ensure that proper measures are taken expeditiously.

1. RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management objectives of the Group are to obtain an appropriate balance between risk and return, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to set appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

1.1 Market risk

The Group's business has caused its financial risks due to the changes in interest rates and foreign exchange rates. The Group believes that the above risks during the year or the manner in which they are managed and measured have not been changed compared to the previous year.

1.1.1. Foreign exchange risk

Foreign exchange risk refers to the risk of loss arising from the losses in exchange rate. The operating economic environment of the Company and its major subsidiaries is China and Vietnam whose functional currencies are RMB and VND. Some of the Group's transactions are settled in currencies other than functional currencies such as USD, EUR, JPY, HKD, GBP and AUD, and are subject to the resulting foreign exchange risk.

As at 30 June 2020, the Group's foreign currency assets and liabilities are set out below. The foreign exchange risk arising from the assets and liabilities of these foreign currency balances (see Notes Foreign Currency Items) may impact the Group's operating results.

RMB

Item	Closing balance	Opening balance
Cash and cash equivalents	344,928,905.53	258,849,174.26
Trade receivables	443,651,726.86	350,675,459.66
Other receivables	431,282.69	3,556.25
Trade payables	43,484,497.76	9,636,256.28
Borrowings	<u>1,049,759,270.39</u>	<u>942,754,636.60</u>

The Group closely monitors exchange rate movements and formulates relevant hedging policies to reduce foreign exchange risk. Foreign exchange forward contracts can be used to eliminate foreign exchange risk. For the year ended 30 June 2020, the Company entered into contracts in relation to foreign currency assets of RMB269,021,000.00 (equivalent to USD38,000,000.00).

1.1.2. Interest rate risk

The Group's risks to the changes in cash flows of financial instruments arising from changes in interest rates is primarily related to floating rate bank borrowings and floating rate bank deposits. As at 30 June 2020, the Group's floating borrowings amounted to RMB2,049,032,175.69 (31 December 2019: RMB1,523,254,636.60). The management of the Group closely monitors interest rate risk and uses interest rate swap contracts to hedge interest rate risk.

1.2 Credit risk

As at 30 June 2020, the maximum credit risk exposure that may cause the Group's credit losses is mainly due to the loss of the Group's financial assets caused by the failure of the other party to perform its obligations and the financial guarantees undertaken by the Group (without considering available collateral or other credit enhancements), specifically: cash at bank and on hand, bills receivable, trade receivables, trade receivables financing, other receivables, etc., and derivative financial assets that are not included in the scope of impairment assessment, etc. At the balance sheet date, the carrying amount of the Group's financial assets has represented its maximum credit risk exposure.

In order to reduce credit risk, the Group has established a team responsible for determining the credit limits and conducting credit approval. At the same time, the Group performs other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. In addition, the Group reviews the recovery of financial assets on each balance sheet date to ensure that adequate credit loss provisions are made for the relevant financial assets. As a result, the management of the Group believes that the credit risk assumed by the Group has been significantly reduced.

The Group's cash at bank and on hand are deposited in banks with higher credit ratings, so cash at bank and on hand is subject to lower credit risk.

As at 30 June 2020, the Group's accounts receivable balance with the top five customers was RMB697,949,939.38 (31 December 2019: RMB728,885,564.42), accounting for 62.57% of the Group's account receivable balance (31 December 2019: 63%). In addition, the Group has no other significant credit risk exposure concentrated on a single financial asset or financial assets group with similar characteristics.

1.3 Liquidity risk

In managing the liquidity risk, the Group maintains and monitors the cash and cash equivalents that the management considers adequate to meet the Group's operational needs and mitigate the impact of fluctuations in cash flows. The management of the Group closely monitors the liquidity situation and expects to have sufficient sources of financing to finance the Group's operations. The management of the Group believes that the Group does not have any significant liquidity risk.

2. TRANSFER OF FINANCIAL ASSETS

Financial assets transferred but not derecognised as a whole

The Group discounts the bank acceptance note to the bank. If the bank acceptance note fails to be accepted, the discounting bank has the right to request the Group to pay the unsettled balance. As the Group still bears the main risks such as credit risk associated with these bank acceptance notes, the Group continues to full recognize the book value of the bills receivable and recognizes the amount received as a result of the transfer as a borrowing of the discounted note. At the end of the year, the balances of the borrowings for the relevant discounted notes were RMB203,589,009.47 (end of last year: RMB341,723,029.12).

The Group endorses bank acceptance notes and commercial acceptance bills. If the bank acceptance note or commercial acceptance bill fails to be accepted, the endorser has the right to request the Group to pay the unsettled balance. As the Group still bears the main risks such as credit risk associated with these bank acceptance notes or commercial acceptance bills, the Group continues to fully recognize the book value of bills receivable and recognizes the payments received as a result of the transfer as trade payables. At the end of the year, the balances of the recognized relevant trade payables were RMB855,635,460.73 (end of last year: RMB1,040,614,593.75).

3. CAPITAL MANAGEMENT

The Group manages capital by optimizing the structure of liabilities and shareholders' equity to ensure that entities within the Group maintain operations while maximizing shareholder returns.

The capital structure of the Group consists of the Group's net debt and shareholders' equity.

The Group is not subject to external mandatory capital management requirements.

The Group manages and adjusts the capital structure based on changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividends to shareholders or obtain additional capital from shareholders. The Group has not made any adjustments to the objectives, policies and processes of capital management.

(VIII) DISCLOSURE OF FAIR VALUE

(1) Fair Value of the Closure Balance of Assets and Liabilities Measured at Fair Value

Items	<i>RMB</i>
	Fair value of the Closing balance The second level of fair value measurement
I. Continuous fair value	
(1) Financial assets measured at fair value through profit or loss	
– Derivative financial asset without the specified hedging relationship	915,189.95
Total assets that continue to be measured at fair value	915,189.95
II. Trading financial liabilities	
– Derivative financial liabilities without the specified hedging relationship	942,273.33
Total liabilities that continue to be measured at fair value	942,273.33

(2) Valuation Techniques and Qualitative and Quantitative Information on Important Parameters Adopted for the Second Level of Continuous and Noncontinuous Fair Value Measurement

RMB

Items	Fair value		Fair value level	Fair value measurement basis/valuation method and main input value
	Closing balance	Opening balance		
1) Derivative financial instruments formed by forward foreign exchange contracts	Financial assets– 915,189.95	Financial assets– 666,463.87	Second level	Discounted cash flow method Future cash flows are based on forward exchange rates (predictable forward exchange rates at the end of the reporting period) and contract forward rates, as well as discount rates that reflect the credit risk of different trading counterparties.
2) Derivative financial instruments formed by foreign exchange option contracts	Financial liabilities– 426,311.79	Financial assets– 71,837.90 Financial liabilities– 917,754.01	Second level	Discounted cash flow method Future cash flows are based on forward exchange rates (predictable forward exchange rates at the end of the reporting period) and contract forward rates, as well as discount rates that reflect the credit risk of different trading counterparties.
3) Derivative financial instruments formed by interest rate swap contracts	Financial liabilities– 515,961.54	Financial assets– 379,492.22	Second level	Discounted cash flow method Future cash flows are based on forward exchange rates (predictable forward exchange rates at the end of the reporting period) and contract forward rates, as well as discount rates that reflect the credit risk of different trading counterparties.

(3) Fair Value Of Financial Assets and Financial Liabilities Not Measured at Fair Value

The book value of financial assets and financial liabilities that the Group does not consider to be measured at fair value is similar to the fair value.

(IX) RELATED PARTIES AND RELATED PARTY TRANSACTION

1、 THE GROUP'S SUBSIDIARIES

Please refer to “Interests in other entities”.

2、 THE GROUP'S JOINT VENTURE AND ASSOCIATE

The Group's joint venture and associate:

Name	Relationship with the Group
Jiaxing Kaihong Flat Supply Chain Management Co., Ltd.(嘉興凱鴻福萊特供應鏈管理有限公司)	Associate

3、 OTHER RELATED PARTIES OF THE GROUP

Enterprise name	Relationship with the connected party
Jiaxing Yihe Machinery Co., Ltd.(嘉興義和機械有限公司)	Controlled by one of the actual controllers of the Company
Fengyang Hongding Port Co., Ltd.(鳳陽鴻鼎港務有限公司)	Controlled by one of the actual controllers of the Company

4、 RELATED PARTY TRANSACTIONS

(1) Accepting labor service

Related party	Related party transaction	Amount in the current period	Amount in the last period
Jiaxing Kaihong Flat Supply Chain Management Co., Ltd. (嘉興凱鴻福萊特供應鏈管理有限公司)	Transportation service	24,182,608.07	—

(2) Related lease

<i>RMB</i>			
Related party	Content of the related party transaction	Amount in the current period	Amount in the last period
Jiaying Yihe Machinery Co., Ltd. (嘉興義和機械有限公司)	House lease	3,915,427.32	2,152,386.12
Fengyang Hongding Port Co., Ltd. (鳳陽鴻鼎港務有限公司)	Pier lease	412,844.04	412,844.04

(3) Remuneration of key management personnel

<i>RMB</i>			
Items		Amount in the current period	Amount in the last period
Remuneration of key management personnel		3,734,693.47	3,010,509.35

5、AMOUNTS DUE TO/FROM RELATED PARTIES

(1) Receivables

		<i>RMB</i>	
Items	Related parties	Closing balance	Opening balance
Trade receivables	Jiaying Yihe Machinery Co., Ltd.(嘉興義和機械有限公司)	1,453,110.99	1,453,110.99
Other trade receivables	Jiaying Yihe Machinery Co., Ltd.(嘉興義和機械有限公司)	2,000,000.00	2,000,000.00
Other trade receivables	Jiaying Kaihong Flat Supply Chain Management Co., Ltd.(嘉興凱鴻福萊特供應鏈管理有限公司)	45,118.57	-
Other current assets	Jiaying Yihe Machinery Co., Ltd.(嘉興義和機械有限公司)	739,991.28	4,609,365.80
Other current assets	Fengyang Hongding Port Co., Ltd.(鳳陽鴻鼎港務有限公司)	1,238,532.12	412,844.04
		<u>1,238,532.12</u>	<u>412,844.04</u>

(2) Payables

		<i>RMB</i>	
Items	Related parties	Closing balance	Opening balance
Trade payables	Jiaying Kaihong Flat Supply Chain Management Co., Ltd.(嘉興凱鴻福萊特供應鏈管理有限公司)	18,271,417.54	-
		<u>18,271,417.54</u>	<u>-</u>

(X) COMMITMENTS AND CONTINGENCIES

1 SIGNIFICANT MATTERS OF COMMITMENTS

As of the balance sheet date, the irrevocable purchase of long-term assets contracts signed by the Group is as follows:

	<i>RMB</i>	
	Closing balance	Opening balance
Contracted but not confirmed in the financial statements Purchase		
– Build long-term asset commitments	<u>848,931,144.73</u>	<u>1,332,163,932.86</u>

2 Contingencies

The Group does not have any significant contingencies that need to be disclosed.

(XI) OTHER SIGNIFICANT MATTERS

1 SEGMENT REPORT

(1) Basis and account policy of segment report

According to the internal organizational structure, management requirements and internal reporting system of the Group, the Group's operating activities are divided into five operating segments. Based on the operating segments, the Group has identified five reporting segments, namely the PV glass segment, the household glass segment, architectural glass segment, float glass segment and mining products segment. These reporting segments are based on product categories. The main products provided by each of the Group's reporting segments are PV glass, household glass, architectural glass, float glass and mining products. The management of the Group regularly evaluates the operating results of these segments to determine the resources to be allocated to them and to evaluate their performance. The evaluation does not include the review of the assets and liabilities of the operating segments.

Segment report information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. It has confirmed and measured segment report information in accordance with China accounting standards.

(2) Segment report information

RMB

				Amount in the current period			Mutual offset among segments	Total
	PV glass	Household glass	Architecture glass	Float glass	Mining products	Other business		
Segment operating revenue	2,128,413,948.08	125,016,601.64	183,942,461.20	4,514,168.94	38,148,812.11	16,167,895.41	-	2,406,203,887.48
Segment operating costs	1,276,049,205.47	96,977,622.83	148,752,291.19	4,181,095.11	16,113,287.18	2,177,181.15	-	1,544,250,782.93
Segment profit	852,364,642.61	28,038,978.81	35,190,170.11	333,073.83	22,035,524.93	13,990,714.26	-	951,953,104.55
Adjusted items:								
Less: Taxes and surcharges								17,218,688.57
Selling expenses								136,267,495.93
Administrative expenses								56,200,196.95
Research and development expenses								99,793,388.57
Financial expenses								42,390,171.78
Including: Interest expense								50,210,453.90
Interest income								6,892,913.22
Add: other income								12,717,432.04
Investment income								1,853,180.62
Profit (losses) arising from changes in fair value								(227,123.36)
Credit impairment losses								(32,134,369.88)
Asset impairment losses								(16,277,727.81)
Losses on disposal of assets								(3,625,041.18)
II. Operating profit								562,329,513.41
Add: Non-operating income								6,350,359.59
Less: Non-operating expenses								3,347,233.69
III. Total profit								565,332,639.31
Less: Income tax expense								104,526,420.99
IV. Net profit								<u>460,806,218.32</u>

	Amount in the last period						Mutual offset among segments	Total
	PV glass	Household glass	Architecture glass	Float glass	Mining products	Other business		
Segment operating revenue	1,532,092,856.04	163,687,639.85	202,001,643.82	98,360,649.76	29,954,444.52	8,538,335.49	-	2,034,635,569.48
Segment operating costs	1,091,331,013.28	118,013,634.42	154,826,675.24	80,768,991.28	12,321,687.70	4,536,656.67	-	1,461,798,658.59
Segment profit	440,761,842.76	45,674,005.43	47,174,968.58	17,591,658.48	17,632,756.82	4,001,678.82	-	572,836,910.89
Adjusted items:								
Less: Taxes and surcharges								12,600,562.03
Selling expenses								95,987,142.10
Administrative expenses								52,316,895.20
Research and development expenses								104,391,004.61
Financial expenses								24,653,412.20
Including: Interest expense								31,390,102.09
Interest income								10,546,044.12
Add: other income								20,070,459.20
Investment income								6,939,596.25
Profit (losses) arising from changes in fair value								(3,154,045.30)
Credit impairment losses								(5,522,248.54)
Asset impairment losses								(281,846.65)
Losses on disposal of assets								1,436,320.30
II. Operating profit								302,376,130.01
Add: Non-operating income								8,075,902.33
Less: Non-operating expenses								45,236.23
III. Total profit								310,406,796.11
Less: Income tax expense								48,987,309.21
IV. Net profit								<u>261,419,486.90</u>

(XII) NOTES TO THE STATEMENTS OF THE PARENT COMPANY

1、TRADE RECEIVABLE

(1) Disclosed by the aging

	<i>RMB</i>
Aging	Closing balance
Within 1 year	831,259,692.49
1-2 years	30,348,949.19
2-3 years	195,691.59
Over 3 years	2,670,568.28
Total	<u>864,474,901.55</u>

(2) Disclosed by bad debt provision method

			<i>RMB</i>		
			Closing balance		
	Book balance		Bad debt provision		
				Provision	
Classification	Amount	Percentage (%)	Amount	percentage (%)	Book value
Bad debt provision by single					
Including:					
Trade receivable of significant single amount					
and Bad debt provision by single	22,413,325.14	2.66	22,413,325.14	100.00	-
Bad debt provision by portfolio					
Including :					
Account receivable excluding costs for					
significant financing	842,061,576.41	97.34	44,080,721.16	5.23	797,980,855.25
Total	<u>864,474,901.55</u>	/	<u>66,494,046.30</u>	/	<u>797,980,855.25</u>

Classification	Book balance		Opening balance		Book value
	Amount	Percentage (%)	Amount	Bad debt provision Percentage (%)	
Bad debt provision by portfolio					
Including:					
Account receivable excluding costs for significant financing	812,392,851.35	100.00	33,484,880.19	4.12	778,907,971.16
Total	<u>812,392,851.35</u>	<u>/</u>	<u>33,484,880.19</u>	<u>/</u>	<u>778,907,971.16</u>

Bad debt provision by single

RMB

Name	Book balance	Closing balance		Reason of provision
		Bad debt provision	Accrual percentage (%)	
GCLSI(Suzhou)	22,413,325.14	22,413,325.14	100.00	Trade receivables are expected to be uncollectible
Total	<u>22,413,325.14</u>	<u>22,413,325.14</u>	<u>100.00</u>	<u>/</u>

Bad debt provision by portfolio

RMB

Name	Trade receivables	Closing balance	
		Bad debt provision	Provision percentage (%)
Low risk	86,000,203.76	–	–
Normal	692,513,334.18	19,390,373.28	2.80
Concerned	51,367,768.73	12,510,078.15	24.35
Loss	12,180,269.74	12,180,269.74	100.00
Total	<u>842,061,576.41</u>	<u>44,080,721.17</u>	<u>5.23</u>

(3) Changes in credit loss provisions of trade receivables

RMB

Classification	Opening balance	change of amount in the current period			Closing balance
		Provision	Reversal	Written off	
Bad debt provision	33,484,880.19	33,037,765.46	–	28,599.35	<u>66,494,046.30</u>
Total	<u>33,484,880.19</u>	<u>33,037,765.46</u>	<u>–</u>	<u>28,599.35</u>	<u>66,494,046.30</u>

(4) Trade receivables for the actual write-off in the current period

RMB

Items	Write-offs
Trade receivables actually written off	<u>28,599.35</u>

(5) Details of top five trade receivables with the closing balances classified by the borrowers

RMB

Name	Relationship with the Company	Balance	Trade receivables	
			Percentage of the total trade receivable (%)	Closing balance of credit loss provision
Customer A	Third party	236,462,668.37	27.35	6,620,954.70
Customer B	Third party	143,438,537.60	16.59	4,016,279.05
Customer C	Third party	126,852,620.17	14.67	3,551,873.35
Customer D	Third party	34,722,804.28	4.02	972,238.51
Customer E	Third party	28,665,468.43	3.32	802,633.11
Total		<u>570,142,098.85</u>	<u>65.95</u>	<u>15,963,978.72</u>

2、 OTHER RECEIVABLES

Items:

RMB

Item	Closing balance	Opening balance
Other receivables	539,758,708.01	356,091,353.75
Total	<u>539,758,708.01</u>	<u>356,091,353.75</u>

(1) Disclosed by aging

RMB

Aging	Closing book balance
Within 1 year	539,594,708.01
1-2 years	20,000.00
2-3 years	50,000.00
Over 3 years	194,000.00
Total	<u>539,858,708.01</u>

(2) Other receivables classified by nature

RMB

Nature	Closing book balance	Opening book balance
Amount due from subsidiaries	537,374,964.14	353,793,995.22
Margin	2,214,000.00	2,214,000.00
Deposit	30,000.00	40,000.00
Reserve fund	53,200.00	30,000.00
Others	186,543.87	113,358.53
Total	<u>539,858,708.01</u>	<u>356,191,353.75</u>

(3) Provision for bad debts

RMB

	Stage 1	Stage 2	Stage 3	
	ECL in the	Lifetime ECL	Lifetime ECL	
Bad debt provision	next 12 months	(Not credit impaired)	(credit impaired)	Total
Balance at 1 January 2020	-	-	100,000.00	100,000.00
Balance at 1 January 2020 in current				
– Transferred to Stage 2	-	-	-	
– Transferred to Stage 3	-	-	-	
– Reversed to Stage 2	-	-	-	
– Reversed to Stage 1	-	-	-	
Provided in period	-	-	-	
Transferred in the period	-	-	-	
Resold in the period	-	-	-	
Written off in the period	-	-	-	
Other changes	-	-	-	
Balance at 30 June 2020	-	-	100,000.00	100,000.00

(4) Details of top five other receivables with the closing balance classified by the borrower:

RMB

Name	Amount nature	Closing balance	Percentage in the total Closing balance of other receivable (%)	Closing balance of bad debt provision
Transaction Party A	Subsidiary	279,317,950.82	51.74	-
Transaction Party B	Subsidiary	229,997,341.78	42.6	-
Transaction Party C	Subsidiary	16,924,566.00	3.13	-
Transaction Party D	Subsidiary	3,670,000.00	0.68	-
Transaction Party E	Related party	2,000,000.00	0.37	-
Total	/	531,909,858.60	98.52	-

3 · LONG-TERM EQUITY INVESTMENT

RMB

Items	Book balance	Closing balance Impairment provision	Book value
Investment in subsidiary	1,043,137,343.00	–	1,043,137,343.00
Investment in joint venture and associate	1,441,580.62	–	1,441,580.62
Total	1,044,578,923.62	–	1,044,578,923.62

Items	Book balance	Opening balance Impairment provision	Book value
Investment in subsidiary	1,043,137,343.00	–	1,043,137,343.00
Investment in joint venture and associate	–	–	–
Total	1,043,137,343.00	–	1,043,137,343.00

(1) Investment in subsidiary

RMB

Invested unit	Opening balance	Increased amount in the current period	Decreased amount in the current period	Closing balance	Impairment provision in the current period	Impairment provision closing balance
Zhejiang Flat	10,000,000.00	–	–	10,000,000.00	–	–
Zhejiang Jiafu	150,000,000.00	–	–	150,000,000.00	–	–
Shanghai Flat	70,000,000.00	–	–	70,000,000.00	–	–
Anhui Flat Glass	700,000,000.00	–	–	700,000,000.00	–	–
Anhui Flat Material	30,000,000.00	–	–	30,000,000.00	–	–
Flat (Hong Kong)	66,137,343.00	–	–	66,137,343.00	–	–
Flat New Energy	10,000,000.00	–	–	10,000,000.00	–	–
Flat Import and Export	7,000,000.00	–	–	7,000,000.00	–	–
Total	1,043,137,343.00	–	–	1,043,137,343.00	–	–

(2) Investment in joint venture and associate

RMB

Invested unit	Opening balance	Changes in increase and decrease in the current period		Closing balance
		Additional investment	Investment gains and loss recognized under the equity methods	
I. Joint venture	-	-	-	-
II. Associate	-	800,000.00	641,580.62	1,441,580.62
Jiaxing Kaihong Flat Supply Chain Management Co., Ltd. (嘉興凱鴻福萊特供應鏈管理有限公司)	-	800,000.00	641,580.62	1,441,580.62
Sub-total	-	800,000.00	641,580.62	1,441,580.62
Total	-	800,000.00	641,580.62	1,441,580.62

4、OPERATING REVENUE AND COST

(1) Operating revenue and operating cost

RMB

Items	Amount for the period		Amount for last period	
	Revenue	Cost	Revenue	Cost
Main business	1,837,384,577.20	1,545,090,309.53	1,463,976,825.34	1,260,312,017.75
Other business	68,043,208.13	59,920,587.31	23,412,697.34	17,620,659.84
Total	1,905,427,785.33	1,605,010,896.84	1,487,389,522.68	1,277,932,677.59

(2) Revenue from contract

RMB

Contract classification

Total

By types of products

PV glass	1,578,163,669.38
Float glass	20,336,963.62
Household glass	53,496,909.40
Architectural glass	185,386,134.60
Other business	68,044,108.33

By source of revenue

China	1,539,674,677.92
Asia	339,565,104.04
Europe	11,453.43
North America	25,071,783.44
Other	1,104,766.50

5、Investment Income

Items	Amount for the Period	Amount for last period
Income from long-term equity investments under the equity method	641,580.62	—
Derivative instrument without the specified hedging relationship	—	1,759,200.00
Including: Forward foreign exchange contract investment income	—	1,759,200.00
Total	<u>641,580.62</u>	<u>1,759,200.00</u>

Supplementary Information

1 · DETAILS OF CURRENT PERIOD EXTRA-ORDINARY PROFIT OR LOSS

RMB

Items	Amount
Gains/(losses) on disposal of non-current assets	(3,625,041.18)
Government grants recorded in current profit or loss (except for government grants closely associated with the business of the Company in fixed amount or fixed quantity according to national policies)	14,763,152.68
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 and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available for-sale financial assets	1,626,057.26
Other non-operating income/(expenses) other than above	(2,445,769.26)
Sub-total	10,318,399.50
Effects of income tax	(1,915,166.56)
Effects on minority interests	-
Total	8,403,232.94

2、RETURN ON EQUITY AND EARNING PER SHARE

The calculation form of the return on equity and earnings per share is prepared in accordance with the relevant provisions of Public Issuance of Securities Companies Information Disclosure and Compilation Rules No. 09 – Calculation and Disclosure of Return on Net Assets and Earnings Per share (Revised in 2010) (CSRC Announcement [2010] No. 2) issued by the China Securities Regulatory Commission.

Profit in the reporting period	Weighted average return on equity(%)	Earning per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	10	0.24	N/A
Net profit attributable to ordinary shareholders of the Company excluding non-recurring items	<u>10</u>	<u>0.23</u>	<u>N/A</u>