



**IRICO**

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

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

**2020**  
**ANNUAL REPORT**

\* For identification purpose only

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# Results Highlights

## 1. Operating results

Unit: RMB0'000

Item	2020	2019
Operating revenue	251,851	224,511
Including: Revenue from principal business	248,860	219,687
Revenue from other businesses	2,991	4,824
Gross profit from principal business	56,130	26,538
Total profit (loss is represented by "-")	17,132	7,616
Net profit (net loss is represented by "-")	20,162	7,409
Including: Net profit attributable to the shareholders of the Company	21,966	9,314
Minority interests	-1,804	-1,906
Total comprehensive income (loss is represented by "-")	25,865	7,568
Including: Total comprehensive income attributable to the shareholders of the Company	27,670	9,474
Total comprehensive income attributable to minority shareholders	-1,804	-1,906

## Results Highlights (Continued)

### 2. Financial position

*Unit: RMB0'000*

Item	31 December 2020	31 December 2019
Current assets	200,739	173,125
Non-current assets	297,646	318,085
Current liabilities	282,181	418,668
Non-current liabilities	41,577	43,635
Equity attributable to the shareholders of the Company	174,628	18,798
Minority interests		10,109

### 3. Performance indicators

Name of indicators	2020	2019
Gearing ratio	64.96%	94.12%
Current ratio	0.71	0.41
Interest coverage ratio (times)	54	98
Trade receivable turnover (days)	32	31

## Chairman's Statement

Dear Shareholders,

During the reporting period, in the face of the impact of the COVID-19 pandemic, the Group focused on its solar photovoltaic glass business and continued to optimise its industrial structure by taking advantage of the improving photovoltaic industry. Leveraging on the resource endowment of the central enterprises, the Group has precisely laid out a new track for photovoltaic glass, and new photovoltaic glass projects have been rapidly implemented, with the scale effect steadily realized and substantial profits in the photovoltaic glass business achieved. The Group's position of world's top three in photovoltaic glass industry has been further strengthened.

I am pleased to present the results of IRICO Group New Energy Company Limited\* ("IRICO" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 (the "reporting period").



**Chairman**  
Si Yuncong

## Chairman's Statement (Continued)

### Business Review

During the reporting period, the Group paid all attention to the development of the solar photovoltaic glass business and effectively controlled operating costs by improving production efficiency, optimizing product structure, unifying procurement and improving capital structure. Meanwhile, benefiting from the rising prosperity in the photovoltaic industry and strong demand in the photovoltaic glass market, the average price and gross profit margin of the photovoltaic glass products rise as a whole. Net profit attributable to shareholders of the Company for the year ended 31 December 2020 was RMB219.66 million, representing a year-on-year increase of 135.84%.

During the reporting period, the Group's Hefei and Yan'an photovoltaic glass bases achieved robust production and sales, and recorded increase both in volume and prices. The Group made breakthroughs in new photovoltaic glass products including the thin, large-sized and double-glazed photovoltaic glass, and maintained its global leading position in oxygen-fuel combustion and environmentally-friendly furnace technology. At the same time, the Group accelerated the development of industrial bases such as Hefei phase III ultra-thin and high-transmissivity photoelectric glass project, IRICO Xianyang ultra-thin and high-transmissivity photoelectric glass project and IRICO Shangrao ultra-thin and high-transmissivity photovoltaic glass project, and the effective expansion of production capacity will enable the Group to quickly share the market opportunities brought by the development of the photovoltaic industry. In addition, in order to highlight the principal business and expand and strengthen the photovoltaic glass business, the Group completed the offloading of new materials, modules and power station and other businesses.

During the reporting period, the Group adhered to the two-wheeled development strategy of industry + capital and achieved outstanding results in capital operation. The Group successfully completed the placing of new H shares with net proceeds of approximately HK\$1.44 billion, which significantly reduced the gearing ratio and accelerated the sustainable growth of corporate revenue and Shareholders' return. In the meantime, the Group made efforts to build a domestic financing platform and launched the initial public offering of A shares.

During the reporting period, the Group carried out a number of initiatives and measures to promote refined management and achieved remarkable results in the "5M cost reduction and efficiency improvement project", achieving comprehensive cost reduction and efficiency improvement from project planning and design to construction, from procurement of materials to energy utilization, from technological advancement to product sales. We also actively explored the medium and long-term incentive mechanisms and further promoted the mixed ownership reform to stimulate the internal vitality of the enterprise.

## Chairman's Statement (Continued)

### Business Review (Continued)

During the reporting period, the Group has accumulatively obtained 147 patent rights. Boosted by the investment in research and development, the Group's technological advantages have continued to be strengthened, and the competitiveness and influence of its main products in both domestic and international markets have steadily increased, and it has entered the ranks of "global first-class" enterprises. Meanwhile, the Group has deployed its innovation chain around the industry chain and laid out its industrial chain around the innovation chain, accelerated the construction of photovoltaic glass technology research and development center, and accelerated the improvement of a provincial-level enterprise technology center for electronic functional materials, so as to promote the Group's high-quality development to a greater extent.

During the reporting period, the Group adhered to the people-oriented and the establishment of the empowering platform, strived to build a modern human resources system and implemented a dual-track management model to achieve excellence in the development of native talents in various areas of the enterprise, while strengthened communication and collaboration with renowned universities to systematically attract outstanding talents from the market and equip the Group with high-quality talents for its strategic expansion.

During the reporting period, the Group bravely assumed the social responsibility as a central enterprise, accelerated the expansion of its solar photovoltaic industry scale and boosted the country to achieve a diversified energy pattern; at the same time, it has been empowered by science and technology to overcome poverty and build a high-end energy and chemical industry base in Yan'an; and it has further concentrated its efforts and forged ahead with determination to win the "dual-line battle" of pandemic prevention and control as well as production and operation.

## Chairman's Statement (Continued)

### Future Prospects

The Group will accelerate the construction of new lines such as ultra-thin and high-transmissivity photovoltaic glass and further expand the production capacity of photovoltaic glass in the next two to three years to ensure that the scale of the industry remains among the top three in the world; based on the Synergic Innovation Centre, the Group will cooperate with well-known universities to establish an integrated research and development platform for production, education, research and application around the thin and large-sized photovoltaic glass, materials related to the photovoltaic glass industry chain, intelligent equipment, integrated energy-saving of buildings and special functional glass; relying on the key technology of the world's leading oxygen-fuel combustion photovoltaic glass furnace, we will develop and improve industry standards to lead green manufacturing and promote energy conservation and environmental protection.

In 2021, the Group will actively promote the initial public offering of A shares to further optimize the Company's capital structure, build a platform for domestic and overseas financing, better implement the Company's photovoltaic glass development plan, and realize the sustainability of the Company's revenue and shareholders' return.

### Acknowledgement

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

IRICO Group New Energy Company Limited\*  
Si Yuncong  
*Chairman*

Xianyang, the People's Republic of China  
26 March 2021



# Management Discussion and Analysis

## (I) Industry analysis

### 1. Solar Photovoltaic Power Stations

During the reporting period, amid the globally rampant COVID-19 pandemic and sluggish global economy, the newly installed solar photovoltaic capacity in the world was approximately 135GW, representing a year-on-year increase of 13%, among which, China, the United States and EU all registered an increase, instead of decrease, in solar photovoltaic installed capacity. The COVID-19 pandemic accelerated the support from governments and their investment in solar photovoltaic industry, as part of economic recovery plans in some countries, also reflecting the importance of solar photovoltaic in the energy structure of various countries in the world. In 2020, the newly installed solar photovoltaic capacity in China was 48.2GW, representing a year-on-year increase of 60%, of which three quarters was registered in the second half of 2020, and the total installed solar photovoltaic capacity in China reached 253GW, which made China continue to play the most important role in photovoltaic power generation in the world.

Looking into 2021, in the latest issue of Global Photovoltaic Market Outlook for the First Quarter of 2021, BNEF analysts have upward adjusted the expectation for the newly installed solar photovoltaic capacity for 2021 to range from 160GW to 209GW. Such expectation was attributable to “The solar energy market in most of the countries in the world will experience growth in 2021”. The new energy policy proposed by the new president of the United States, the raise of target for Green Transaction in Europe and the more positive carbon neutrality commitment to the world by China served as important basis for such optimistic expectation by BNEF. The newly installed solar photovoltaic capacity of China is expected to be at between 55 and 65GW in 2021. Driven by the objectives of peaking carbon dioxide emissions and carbon neutrality, it's estimated that the average newly installed solar photovoltaic capacity of China will be 70 to 90GW per annum during the “14th Five Year” period, and China will become the center of the world in terms of photovoltaic new energy field.

### 2. Solar Photovoltaic Glass

During the reporting period, the solar photovoltaic power station business showed sound toughness and recorded growth against the trend. Due to such impact, a shortage in supply was seen in solar photovoltaic glass market in the second half of 2020, and the demand for the products exceeded the supply, with a rise of 70% in the price of photovoltaic glass. In term of product classification, the continuous cost reduction moves along the photovoltaic industry chain promoted entering into “large-sized” product era; the significant advantage of double-glass module production lines drove the production lines to produce thin glass.

# Management Discussion and Analysis (Continued)

## (I) Industry analysis (Continued)

### 2. Solar Photovoltaic Glass (Continued)

Looking into 2021, the installed capacity of solar photovoltaic power stations in the world will maintain its growth momentum, with the market share for double-glass module kept growing. Accordingly, the market demand for the solar photovoltaic glass will still keep increasing. Given that it usually takes one to two years to build a new solar photovoltaic glass production line, the market demand of solar photovoltaic glass will keep high. The solar photovoltaic glass industry is expected to move onto a more benign growth track with loosening policies on newly increased capacity of solar photovoltaic glass as well as the multiple advantages of leading enterprises in terms of cost, funds and other factors.

## (II) Business Review

### 1. Operation Summary

During the reporting period, the Group recorded operating revenue of RMB2,518.51 million, representing a year-on-year increase of RMB273.40 million or 12.18%, and net profit attributable to shareholders of the parent of RMB219.66 million, representing a year-on-year increase of RMB126.52 million or 135.84%.

### 2. Principal Business Review

During the reporting period, the Group focused on the development of the principal business of photovoltaic glass by seizing the favorable opportunity of continuous prosperity in the photovoltaic industry. It effectively controlled the operating costs through unified procurement and improvement of capital structure, and realised year-on-year increase in the annual operating revenue and the profit of photovoltaic glass business by 23.75% and 390%, respectively.

During the reporting period, the Group's Hefei and Yan'an photovoltaic glass bases achieved robust production and sales, and recorded increase both in volume and prices. The Group made breakthroughs in new photovoltaic glass products including the thin, large-sized and double-glazed photovoltaic glass, and maintained its global leading position in oxygen-fuel combustion and environmentally-friendly furnace technology. At the same time, the Group accelerated the development of industrial bases such as Hefei phase III ultra-thin and high-transmissivity photoelectric glass project, IRICO Xianyang ultra-thin and high-transmissivity photoelectric glass project and IRICO Shangrao ultra-thin and high-transmissivity photovoltaic glass project, and the effective expansion of production capacity will enable the Group to quickly share the market opportunities brought by the development of the photovoltaic industry. In addition, in order to highlight the principal business and expand and strengthen the photovoltaic glass business, the Group completed the offloading of new materials, modules and power station and other businesses.

# Management Discussion and Analysis (Continued)

## (II) Business Review (Continued)

### 2. Principal Business Review (Continued)

#### (1) *Solar photovoltaic business*

- Solar photovoltaic glass

During the reporting period, as the worldwide largest oxygen-fuel combustion photovoltaic glass production base of the Group, Hefei base seized the opportunity of rising prosperity in the photovoltaic industry and promoted the improvement of quality and efficiency in all-round of the production lines, with the cumulative annual output of furnaces in phase I and phase II increasing by 10.3% year on year, which laid a solid foundation for the quality development of the Group's photovoltaic glass industry. Based on technological innovation, quality improvement and aggressive marketing strategies, the average annual production and sales volume of photovoltaic glass of the Group exceeded 100%, further demonstrating the Group's position as a leading enterprise in the industry.

During the reporting period, the photovoltaic glass base in Yan'an, which has the lowest melting consumption per unit in the world and owns world-class technology in furnace design and other technologies, has reached the target output overall, and its daily output of raw glass has exceeded the designated volume. The product performance met the first-class component packaging requirements in domestic, and the rate of production to sales has been maintaining above 99%.

The Group kept up with the market demand, continued to promote the research and development, mass production and certification of new products, and optimized the sales structure as and when appropriate. During the reporting period, the Group made breakthroughs in the development and mass production of thin photovoltaic glass and other products, with the output of thin products increasing by 200% year on year, which became a new contribution to the profit growth for the photovoltaic glass products of the Group.

In addition, the Group actively responded to the national sustainable development strategy, made full use of the existing industrialization resources and product technology advantages, kept up with the market demand for continuous iteration of photovoltaic glass capacity and photovoltaic industry technology, and accelerated the development of industrial bases such as Hefei phase III ultra-thin and high-transmissivity photoelectric glass project, IRICO Xianyang ultra-thin and high-transmissivity photoelectric glass project and IRICO Shangrao ultra-thin and high-transmissivity photovoltaic glass project. The Group's technique of ultra-thin and high-transmissivity photoelectric glass and the research and development technology of relevant domestic equipment will break the monopoly of some key equipment by foreign technology and boost the development of the energy-saving, environmentally-friendly and functional glass market in China.

## Management Discussion and Analysis (Continued)

### (II) Business Review (Continued)

#### 2. Principal Business Review (Continued)

##### (1) *Solar photovoltaic business (Continued)*

- Solar photovoltaic modules

During the reporting period, Jiangsu IRICO Yongneng New Energy Company Limited\* (江蘇彩虹永能新能源有限公司) (“IRICO Yongneng”) maintained stable operation.

- Solar photovoltaic power station

During the reporting period, the Group’s solar photovoltaic power stations in Nanjing, Hefei and Wuhan were in stable operation.

##### (2) *New materials business*

During the reporting period, Shaanxi IRICO New Material Co., Ltd.\* (陝西彩虹新材料有限公司) (“IRICO New Material”) maintained stable operation.

## Management Discussion and Analysis (Continued)

### (III) Financial Review

#### 1. Results

Profit and loss data for 2016–2020 (RMB0'000)

Item	2020	2019	2018	2017	2016
<b>Operating revenue</b>	<b>251,851</b>	<b>224,511</b>	<b>233,192</b>	<b>247,147</b>	<b>187,105</b>
Including: Revenue from					
principal business	248,860	219,687	229,074	236,340	179,026
Revenue from other businesses	2,991	4,824	4,118	10,806	8,079
<b>Operating costs</b>	<b>194,121</b>	<b>196,645</b>	<b>208,901</b>	<b>219,380</b>	<b>162,189</b>
Including: Costs of principal business	192,730	193,149	206,600	210,340	158,216
Costs from other businesses	1,391	3,496	2,301	9,041	3,973
<b>Gross profit from operating</b>	<b>57,730</b>	<b>27,867</b>	<b>24,291</b>	<b>27,766</b>	<b>24,915</b>
Taxes and surcharges	1,340	1,190	991	1,212	1,045
Selling expenses	8,626	6,973	6,235	8,076	8,738
Administrative expenses	16,556	12,848	12,097	13,230	11,153
Research and development expenses	6,678	5,046	4,368	2,619	360
Finance costs	14,101	10,668	8,713	6,798	3,898
Impairment losses on assets (loss is represented by "-")	-1,200	-199	-506	-2,462	-2,062
Credit impairment losses (loss is represented by "-")	132	-405	-1,200		
Other income	6,692	17,190	4,416	11,990	4,677
Investment income	5,253	276	13,924	1,215	6,058
Gains from changes in fair value (loss is represented by "-")	-16	-1	-10	-	-
Gains from disposal of assets	-5,123	15	6	3,356	418
Non-operating income	970	390	223	1,091	1,061
Non-operating expenses	5	793	43	407	53
<b>Total profit (total loss is represented by "-")</b>	<b>17,132</b>	<b>7,616</b>	<b>8,696</b>	<b>10,616</b>	<b>9,818</b>
Income tax expenses	-3,029	207	17	587	137
<b>Net profit (net loss is represented by "-")</b>	<b>20,162</b>	<b>7,409</b>	<b>8,679</b>	<b>10,028</b>	<b>9,681</b>
Including: Net profit					
attributable to the shareholders of the Company	21,966	9,314	8,130	9,001	9,831
Minority interests	-1,804	-1,906	549	1,027	-149

## Management Discussion and Analysis (Continued)

### (III) Financial Review (Continued)

#### 1. Results (Continued)

Turnover by products (RMB0'000)

Item	2020	2019
Operating revenue	251,851	224,511
Including: Solar photovoltaic business	179,070	159,347
New materials business	69,790	60,340
Other	2,991	4,824

#### (1) Profits and Losses

- Revenue and profit from principal business

During the reporting period, the Group recorded operating revenue from its principal business of RMB2,488.60 million, representing a year-on-year increase of RMB291.73 million or 13.28%, which was mainly due to the following reasons: the revenue from the solar photovoltaic business was RMB1,790.70 million, representing a year-on-year increase of RMB197.23 million; the revenue from the new materials business was RMB697.90 million, representing a year-on-year increase of RMB94.50 million.

The total profit was RMB171.32 million, representing a year-on-year increase of RMB95.17 million or 124.97%, which was mainly due to the increased sales volume of photovoltaic glass, and the increase in price and gross profit margin of photovoltaic glass products as benefited from the rising prosperity of the photovoltaic industry.

- Administrative expenses

During the reporting period, the Group's administrative expenses was RMB165.56 million (2019: RMB128.48 million), representing a year-on-year increase of RMB37.08 million or 28.86%, which was mainly due to the transfer of fixed assets by IRICO Yan'an New Energy Co., Ltd.\*(彩虹(延安)新能源有限公司) ("Yan'an New Energy"), and the increase in employee benefits and repair and maintenance fee.

# Management Discussion and Analysis (Continued)

## (III) Financial Review (Continued)

### 1. Results (Continued)

#### (1) Profits and Losses (Continued)

- Finance costs

During the reporting period, the Group's finance costs included in profit and loss was RMB141.01 million (2019: RMB106.68 million), representing a year-on-year increase of RMB34.33 million or 32.18%, which was mainly due to the exchange losses from additional issuance, the interests assuming on bridging funds and transfer of fixed assets by Yan'an New Energy.

- Selling expenses

During the reporting period, the Group's selling expenses was RMB86.26 million (2019: RMB69.73 million), representing a year-on-year increase of RMB16.53 million or 23.70%, which was mainly due to the transfer of fixed assets by Yan'an New Energy.

- Research and development expenses

During the reporting period, the Group's research and development expenses was RMB66.78 million (2019: RMB50.46 million), representing a year-on-year increase of RMB16.32 million or 32.34%, which was mainly due to the increase in research and development expenses of IRICO (Hefei) Photovoltaic Co., Ltd.. \* (彩虹(合肥)光伏有限公司) ("Hefei Photovoltaic") and IRICO New Material.

### 2. Capital structure

As at 31 December 2020, the Group will continue to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure.

As at 31 December 2020, the total assets of the Group amounted to RMB4,983.86 million (31 December 2019: RMB4,912.09 million), including cash and bank balances of RMB717.91 million (31 December 2019: RMB405.45 million).

As at 31 December 2020, the total liabilities of the Group were RMB3,237.57 million (31 December 2019: RMB4,623.02 million), including bank and other borrowings of RMB1,318.04 million (31 December 2019: RMB2,677.14 million).

As at 31 December 2020, the total owners' equity of the Group was RMB1,746.28 million (31 December 2019: RMB289.07 million).

## Management Discussion and Analysis (Continued)

### (III) Financial Review (Continued)

#### 2. Capital structure (Continued)

As at 31 December 2020, the gearing ratio of the Group was 64.96% (31 December 2019: 94.12%).

During the reporting period, the turnover days for accounts receivable of the Group was 54 days, representing a year-on-year decrease of 44 days, which was mainly due to the enhanced management and control of accounts receivable by the Company, and the removal of IRICO Yongneng, Xianyang IRICO Green Energy Co., Ltd.\* (咸陽彩虹綠色能源有限公司) (“IRICO Green Energy”) and IRICO New Material from the balance sheet.

During the reporting period, the inventory turnover days of the Group was 32 days, representing a year-on-year increase of 1 day, which was mainly due to the transfer of fixed assets by Yan’an New Energy and the increase in inventories of Hefei Photovoltaic.

#### 3. Cash flow

During the reporting period, the Group’s net cash inflow from operating activities amounted to RMB185.60 million (2019: RMB428.39 million); net cash outflow from financing activities were RMB166.03 million (2019: RMB225.55 million); net cash inflow from investing activities RMB229.13 million (2019: net cash outflow of RMB168.28 million) respectively. The Group’s capital expenditures amounted to RMB47.11 million in total (2019: RMB165.18 million).

#### 4. Foreign exchange risk

The Group’s income and most of its expenses were denominated in Renminbi and US dollar. For the year ended 31 December 2020, the net foreign exchange loss of the Group was RMB17.84 million (31 December 2019: net foreign exchange gain of RMB0.52 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group’s working capital or liquidity.

#### 5. Commitments

As at 31 December 2020, the capital expenditure commitments of the Group amounted to RMB223.32 million (31 December 2019: RMB201.25 million).

#### 6. Contingent liabilities

As at 31 December 2020, the Group had no material contingent liability.



## Management Discussion and Analysis (Continued)

### (III) Financial Review (Continued)

#### 7. Pledged assets

As at 31 December 2020, the bank and other borrowings of the Group amounted to approximately RMB619.04 million, which were secured by certain properties, plants, equipment, land use rights, investments in other equity instruments and bills receivable of the Group with an aggregate amount of approximately RMB1,127.25 million. As at 31 December 2019, the bank and other borrowings of the Group amounted to approximately RMB807.80 million, which were secured by certain properties, plants, equipment, land use rights, investments in other equity instruments and bills receivable of the Group with an aggregate amount of approximately RMB795.37 million.

### (IV) Material Acquisition and Disposal

#### Disposal of Equity Interests in Target Companies

On 30 October 2020, the Company entered into (i) the equity transfer agreement in relation to disposal of IRICO Green Energy with IRICO Group Company Limited\* (彩虹集團有限公司) (“**IRICO Group**”), pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 100% equity interests in IRICO Green Energy at a cash consideration of RMB104,100,000; (ii) the equity transfer agreement in relation to disposal of IRICO New Material with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 76.32% equity interests in IRICO New Material at a cash consideration of RMB287,115,800; (iii) the equity transfer agreement in relation to disposal of IRICO Yongneng with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 51% equity interests in IRICO Yongneng at a cash consideration of RMB61,455,000; and (iv) the equity transfer agreement in relation to disposal of Zhuhai Caizhu Industrial Co., Ltd.\* (珠海彩珠寶業有限公司) (“**Zhuhai Caizhu**”) with Xianyang Zhongdian IRICO Group Holdings Ltd.\* (咸陽中電彩虹集團控股有限公司) (“**Zhongdian IRICO**”), pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 49% equity interests in Zhuhai Caizhu at a cash consideration of RMB129,418,900.

The abovementioned disposals have been approved by independent shareholders at the extraordinary general meeting held on 28 December 2020, and have been completed during the reporting period. Upon completion of the abovementioned disposals, the Company no longer holds any equity interest in IRICO Green Energy, IRICO New Material, IRICO Yongneng and Zhuhai Caizhu. Each of IRICO Green Energy, IRICO New Material and IRICO Yongneng ceased to be a subsidiary of the Company and their financial results will no longer be consolidated into the financial statements of the Company. For details, please refer to the announcements dated 30 October 2020 and 28 December 2020 and the circular dated 8 December 2020 of the Company.

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

## Management Discussion and Analysis (Continued)

### (V) Significant Investments

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

### (VI) Issue of New H Shares under Specific Mandate

On 28 August 2020, the Company completed the placing of new H shares. An aggregate of 1,294,092,000 new H shares has been successfully placed to not less than six but not more than ten placees at the placing price of HK\$1.12 per share through placing agents. The placees (save for Zhongdian IRICO) and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. For details, please refer to the announcement of the Company dated 28 August 2020.

The non-public issuance of H shares is an important move to respond to the national new energy industrial policy, intensify the industrial layout of the Company and vigorously develop the solar photovoltaic glass industry, which is conducive to expanding the capacity scale of the photovoltaic glass of the Company for further strengthening the leading advantage of corporate development, effectively improving the structure of assets and liabilities of the Company and optimizing the shareholding and capital structures at the same time, so as to lay a solid foundation for the high quality development of the Company.

Particulars of the non-public issuance of H shares and the use of the proceeds are as follows:

- (1) Number of shares issued: 1,294,092,000 new H shares
- (2) Nominal value per share: RMB1.00
- (3) Issue price: HK\$1.12 per share
- (4) Net proceeds (after deducting all applicable costs and expenses) raised per new H share: HK\$1.11
- (5) Market price of H shares on the date of fixation of the terms of issuance: HK\$1.09 (17 August 2020)
- (6) Gross proceeds and particulars of use of the proceeds:

## Management Discussion and Analysis (Continued)

### (VI) Issue of New H Shares under Specific Mandate (Continued)

As disclosed in the circular of the Company dated 31 December 2018 and 31 December 2019, assuming that the Company raises RMB2.3 billion in full, the gross proceeds of the placing are proposed to be used as follows: (i) approximately RMB500 million will be used for Yan'an Photovoltaic Glass Project; (ii) approximately RMB500 million will be used for Hefei Photovoltaic Glass Project (Phase II); (iii) approximately RMB500 million will be used for Xianyang Photovoltaic Glass Relocation and Technical Innovation Project; (iv) approximately RMB500 million will be used for IRICO Yongneng 2GW Photovoltaic Modules Project; and (v) approximately RMB300 million will be used to supplement the working capital of the Company after deducting the issuance expenses. The Company did not use any of the proceeds of the placing for the year ended 31 December 2020.

As the Company did not raise RMB2.3 billion in full (the actual net proceeds after deducting all the applicable costs and expenses amount to HK\$1.44 billion, equivalent to approximately RMB1.2816 billion), on 11 January 2021, the Board has resolved to change the use of the proceeds of the Placing, which will not be used for Xianyang Photovoltaic Glass Relocation and Technical Innovation Project and IRICO Yongneng 2GW Photovoltaic Modules Project. The net proceeds will be used as follows: (i) approximately RMB500 million will be used for Yan'an Photovoltaic Glass Project; (ii) approximately RMB500 million will be used for Hefei Photovoltaic Glass Project (Phase II); and (iii) approximately RMB281.6 million will be used to supplement the working capital of the Company after deducting the relevant issuance expenses. As at the date of this report, all the proceeds from the Placing have been used to replace the initial investment funds in Yan'an Photovoltaic Glass Project and Hefei Photovoltaic Glass Project (Phase II) and to replenish the working capital of the Company in accordance with the aforesaid plan.

### (VII) Other Matters

#### 1. Changes in Information of Directors, Supervisors and Chief Executives

On 20 January 2020, Mr. Tong Xiaofei was appointed as an executive director of the Company at the extraordinary general meeting of the Company. On 13 March 2020, Mr. Ding Wenhui applied for resignation as a shareholder supervisor and the chairman of the supervisory committee of the Company due to other work arrangements and the resignation shall take effect upon the approval of the appointment of a new shareholder supervisor at the general meeting of the Company. On 10 June 2020, Mr. Chen Xiaoning was appointed as a shareholder supervisor at the 2019 annual general meeting of the Company. At the 2020 second meeting of the fourth session of the supervisory committee held on the same date, Mr. Chen Xiaoning was elected as the chairman of the supervisory committee of the Company. On 28 January 2021, Mr. Tong Xiaofei was appointed as the general manager (legal representative) of the Company, and ceased to be an executive deputy general manager of the Company (preside over work).

For details, please refer to the announcements of the Company dated 20 January 2020, 13 March 2020, 10 June 2020 and 28 January 2021.

## Management Discussion and Analysis (Continued)

### (VII) Other Matters (Continued)

#### 2. Proposed Initial Public Offering of A Shares

On 19 October 2020, considering the continuous prosperity in the photovoltaic industry, the Board has resolved and approved to authorise the management of the Company to commence the work related to the proposed initial public offering of A shares to optimize the capital structure of the Company, build a platform for domestic and overseas financing, and better implement the development plan of the Company to achieve sustainable growth in the revenue and the returns to shareholders of the Company.

At present, the Company has not formulated the offering proposal of the proposed A share offering, and has not applied to any of the relevant regulatory authorities in the People's Republic of China for approval of the proposed A share offering. The Company will submit the offering proposal to the Board for consideration and approval in due course, and convene a general meeting for shareholders' approval in respect of the proposed A share offering pursuant to requirements under the articles of association of the Company and relevant regulatory requirements.

For details, please refer to the announcement of the Company dated 19 October 2020.

#### 3. Proposed Share Consolidation and Capital Reduction and Proposed Change in Board Lot Size

On 11 November 2020, the Board announced its proposal to implement the proposed share consolidation and capital reduction on the basis that (i) every twenty (20) existing shares with a par value of RMB1 each be reduced to one (1) reduced share with a par value of RMB1 each and (ii) the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070. The Board also proposed to change the board lot size for trading on the Stock Exchange from 2,000 existing H shares to 200 reduced H shares conditional upon the proposed share consolidation and capital reduction becoming effective.

On 28 December 2020, the resolution in relation to the proposed share consolidation and capital reduction was duly passed at the extraordinary general meeting, the class meeting of the holders of H shares and the class meeting of the holders of domestic shares by the shareholders attending the respective shareholders' meetings.

For details, please refer to the announcements dated 11 November 2020, 3 December 2020 and 28 December 2020, as well as the circular dated 8 December 2020 of the Company.

# Profiles of Directors, Supervisors and Senior Management

## Directors

### Executive Directors

Si Yuncong	56	Chairman
Tong Xiaofei	43	Appointed as an executive director on 20 January 2020

### Non-executive Directors

Fan Laiying*	49
Ni Huadong	45

### Independent Non-executive Directors

Feng Bing*	53
Wang Jialu*	59
Wang Zhicheng*	46

\*: *Members of Audit Committee*

**Mr. Si Yuncong (司雲聰)**, aged 56, is the chairman and an executive Director of the Company, and joined the Group in May 2013. Mr. Si graduated from Hehai University majoring in economic management with a PhD. degree and is a senior engineer. Mr. Si currently serves as the chairman, the Party secretary and the legal representative of IRICO Group Company Limited ("**IRICO Group**"), and the chairman of Xianyang Zhongdian IRICO Group Holdings Ltd. Mr. Si successively served as head of the environment monitoring station, director assistant and vice director of the safe technology and environmental protection division, deputy chief and chief of the production safety department, deputy factory manager and manager of East China Electronic Tube Factory\* (華東電子管廠), deputy general manager and general manager of Nanjing Huadong Electronics Group Co., Ltd.\* (南京華東電子集團股份有限公司), executive director and general manager of Nanjing Huadong Electronics Group Limited\* (南京華東電子集團有限公司), the deputy general manager and a member of the Party Committee of IRICO Group from May 2013 to March 2016, and the general manager, a member of the Party Committee and the legal representative of IRICO Group from March 2016 to April 2018.

## Profiles of Directors, Supervisors and Senior Management (Continued)

### Directors (Continued)

**Mr. Tong Xiaofei (仝小飛)**, aged 43, is an executive Director, the general manager, the Party secretary and the legal representative of the Company, an executive director, the general manager and the legal representative of IRICO (Hefei) Photovoltaic Co., Ltd. (“**Hefei Photovoltaic**”), an executive director and the general manager of IRICO (Yan’an) New Energy Company Limited (彩虹(延安)新能源有限公司), an executive director and the general manager of Jiangxi IRICO Photovoltaic Co., Ltd. (江西彩虹光伏有限公司) and an executive director of Xianyang IRICO Photovoltaic Glass Co., Ltd. (咸陽彩虹光伏玻璃有限公司). Mr. Tong graduated from Shaanxi University of Science & Technology with a bachelor’s degree in inorganic non-metallic materials. He is a senior engineer and a member of the Chinese Communist Party. He joined the Group in August 2003. He successively served as an melting technical engineer at the melting and assembling workshop of IRICO Glass Factory of IRICO Group, the head of the melting professional group of Photovoltaic Glass Project of IRICO Group, the head of the melting and assembling workshop of IRICO Photovoltaic Glass Factory, the assistant to the general manager and the deputy general manager of Hefei Photovoltaic, the executive deputy general manager of Hefei IRICO New Energy Co., Ltd., the executive deputy general manager of Hefei Photovoltaic, the assistant to the general manager of the Company, the head of the planning and technology department, the deputy head and office head of the science and technology committee, and the office head of the investment review committee of IRICO Group. He was re-designated from the executive deputy general manager of the Company (presiding over work) to the general manager on 28 January 2021.

**Mr. Fan Laiying (樊來盈)**, aged 49, is a non-executive Director of the Company and joined the Group in October 2018. Mr. Fan graduated from Shaanxi University of Science & Technology with a bachelor’s degree in accounting. Mr. Fan currently serves as the chief accountant of IRICO Group. He successively served as the manager of the finance department of Kunshan IRICO Yingguang Electronics Company Limited, the chief accountant of the finance department of IRICO Group Sales Company\* (彩虹集團銷售公司), the business manager of the finance department of IRICO Display Devices Co., Ltd., the head of finance department of Xianyang IRICO Thermoelectricity Co., Ltd. and Hefei IRICO Epilight Technology Co., Ltd, the financial controller of IRICO (Hefei) Photovoltaic Co., Ltd., Hefei IRICO New Energy Co., Ltd. (part-time) and the deputy chief economist of IRICO Group. Mr. Fan has served as the deputy chief accountant of IRICO Group since May 2016 (concurrently served as the financial controller of IRICO Display Devices Co., Ltd. from September 2016 to February 2017).

**Mr. Ni Huadong (倪華東)**, aged 45, is a non-executive Director, the deputy general manager and the company secretary to the Company, and a director of Shaanxi IRICO New Material Co., Ltd and Jiangsu IRICO Yongneng New Energy Company Limited and joined the Group in May 2017. Mr. Ni graduated from Nanjing University of Finance & Economics with a bachelor’s degree, majoring in investment economics and a member of the Chinese Communist Party. He had served as investment specialist of the securities department, head of the corporate management center, assistant to the head and deputy head of the securities department of Nanjing Hua Dong Electronics Group Limited (南京華東電子集團有限公司); deputy director of the secretariat of the board of directors and representative of securities affairs of Nanjing Huadong Electronics Information & Technology Co., Ltd. (“**Huadong Technology**”) (a company listed on Shenzhen Stock Exchange, stock code: 000727); deputy general manager of Nanjing Tian Xi Investment Co., Ltd. (南京天熙投資有限公司); general manager of Hong Kong Hua Jin Chen Technology Company Limited (香港華金晨科技有限公司); and representative of securities affairs, head of the securities department and head of office of the board of directors of Huadong Technology. On 6 January 2021, he ceased to serve as the secretary to the Board of the Company due to work adjustment and was appointed as the deputy general manager and the company secretary of the Company.

## Profiles of Directors, Supervisors and Senior Management (Continued)

### Directors (Continued)

**Mr. Feng Bing (馮兵)**, aged 53, is an independent non-executive Director of the Company and joined the Group in September 2004, and currently serves as the president and the chief executive officer of Create World Real Estate Inc, located in Washington, USA. Mr. Feng had served as the chief executive officer of HomeLegend, located in Georgia, USA and Power Dekor North America, located in Montreal, Canada. Earlier, he successively served as the president of investment committee and the chief strategy officer of Dare Technologies Global (大亞科技集團), a company listed on Shenzhen Main Board, an executive director and partner of China Financial and Consulting Company\* (中華財務諮詢公司), a senior manager of Deloitte Consulting in New York, USA, and a part-time tutor of the Faculty of Commerce at Syracuse University. Mr. Feng is a member of the Association for Corporate Growth, Pennsylvania (美國企業成長協會賓夕法尼亞州分會), an executive member for China Mergers & Acquisition Association (中國併購公會) and the deputy director for its Jiangsu branch. He obtained his master's degree from Calculation Technology Research Institute of Chinese Academy of Sciences (中國科學院計算技術研究所) majoring in computer architecture and his master's degree in finance from the Faculty of Commerce at Syracuse University, respectively.

**Mr. Wang Jialu (王家路)**, aged 59, is an independent non-executive Director of the Company and joined the Group in September 2004. He completed his course for master's degree in business administration from Guanghua Management College of Peking University and the course for juris doctor from Marburg University of Germany, and received his MBA degree from Peking University and his LLM degree from the Law School of Marburg University of Germany. He is currently a partner of Commerce & Finance Law Office (通商律師事務所), an arbitrator in China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會), an arbitrator in the Beijing Arbitration Commission (北京仲裁委員會)/Beijing International Arbitration Centre (北京國際仲裁中心), an adjunct lecturer for juris master's degree course in the Law Faculty of Peking University and an adjunct professor in School of Juris Master in China University of Political Science and Law.

**Mr. Wang Zhicheng (王志成)**, aged 46, is an independent non-executive Director of the Company and joined the Group in September 2013. He is a PhD in management (accounting), a PRC certified public accountant, an associate professor of Beijing National Accounting Institute (北京國家會計學院) and a tutor of postgraduates. Mr. Wang currently serves as an independent director of Beijing YJK Building Software Co., Ltd.\* (北京盈建科軟件股份有限公司), an independent director of Duzhe Publishing & Media Corp.\* (讀者傳媒股份有限公司), an independent director of Richinfo Technology Co., Ltd. and an external director of Xinxing Lingyun Pharmaceutical Chemicals Co., Ltd\* (新興凌雲醫藥化工有限公司). He served as the manager of the enterprise risk management services department in one of the four largest international accounting firms and the director of the accounting teaching and research office of North China Electric Power University. Mr. Wang has engaged in the trainings in respect of enterprise risk management and internal control, budget management, and accounting standards for a long period at Beijing National Accounting Institute (北京國家會計學院) and Xiamen National Accounting Institute (廈門國家會計學院).

## Profiles of Directors, Supervisors and Senior Management (Continued)

### Supervisors

Ding Wenhui	59	Shareholder Supervisor, Chairman of the Supervisory Committee Resigned on 10 June 2020
Chen Xiaoning	45	Shareholder Supervisor, Chairman of the Supervisory Committee Appointed on 10 June 2020
Zhao Lefei	51	Staff Supervisor
Wu Mingli	58	Staff Supervisor
Sun Haiying	77	Independent Supervisor
Wu Xiaoguang	63	Independent Supervisor

**Mr. Ding Wenhui (丁文惠)**, aged 59, is the shareholder supervisor and chairman of the supervisory committee of the Company and holds a bachelor's degree and is a member of the Chinese Communist Party and a senior engineer and joined the Group in January 2017. He currently serves as the deputy secretary of the Chinese Communist Party and the chairman of the employee union of IRICO Group. He had held various positions at No. 2 Colour Picture Tube Factory of IRICO Group including a technician, the head of the workshop and the deputy factory manager. He served as the deputy general manager and then the general manager of IRICO Display Devices Co., Ltd. He served as the head of human resource department, the head of executive department of the Chinese Communist Party (discipline inspection and supervision department), the deputy secretary of discipline inspection commission and general counsel of IRICO Group. On 10 June 2020, he resigned as the shareholder supervisor and chairman of the supervisory committee of the Company due to other work arrangement.

**Mr. Chen Xiaoning (陳曉寧)**, aged 45, is the shareholder supervisor and chairman of the supervisory committee of the Company and joined the Group in July 1996. He currently serves as the deputy general manager, a member of the Party Committee of IRICO Group and the chairman of IRICO Group (Shaoyang) Special Glass Co., Ltd. (彩虹集團(邵陽)特種玻璃有限公司). Mr. Chen graduated from China Jiliang University with a bachelor of engineering, majoring in thermal test and Northwest University with an MBA degree, and is a senior engineer, a senior economist and a member of the Chinese Communist Party. He served as the head of administrative office of IRICO Group, a deputy head trainee, a deputy head, a deputy head (preside over work) and the head of the office of the Company, the deputy head, a secretary of discipline inspection commission and the head of factory office of IRICO Photovoltaic Glass Factory, a deputy head of the office of Board and office of general manager of the Company, a deputy general manager, an executive director, the general manager and the legal representative of IRICO (Hefei) Photovoltaic Co., Ltd., an executive director, the general manager and the legal representative of IRICO (Yan'an) New Energy Company Limited (彩虹(延安)新能源有限公司), a deputy chief engineer of IRICO Group and an executive deputy general manager, an executive director, the general manager, the Party secretary and the legal representative of the Company. On 10 June 2020, he was appointed as the shareholder supervisor and chairman of the supervisory committee of the Company.



## Profiles of Directors, Supervisors and Senior Management (Continued)

### Supervisors (Continued)

**Mr. Zhao Lefei (趙樂飛)**, aged 51, is a staff supervisor of the Company and joined the Group in November 1990. He currently serves as the deputy secretary of the Party Committee, the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations (黨群辦) of the Company. Mr. Zhao obtained a bachelor's degree in English from Xianyang Normal University (咸陽師範學院), he is a senior political engineer and a member of the Chinese Communist Party. He served as a publicity member of the youth league committee of IRICO Group, the human resources manager of Haikou IRICO Hot Spring Hotel (海口彩虹溫泉大酒店), a member of the organisation department of the Party Committee (黨委組織部), a secretary of the Party Committee, and a director assistant of the disciplinary inspection and supervision division (紀檢監察處) of IRICO Group, the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations of IRICO Spare Parts Factory\* (彩虹零件廠), the secretary of the disciplinary committee, the chairman of the labor union and the director of the integrated management department (綜合管理部) of Xi'an IRICO Zixun Co., Ltd (西安彩虹資訊有限公司), the office director at Xi'an headquarters of IRICO Group and a deputy director of the office of the party and labor relations (黨群辦) of the Company (preside over work).

**Mr. Wu Mingli (武明利)**, aged 58, is a staff supervisor of the Company and joined in the Group in July 1989. Mr. Wu graduated from Northwest University with a bachelor's degree, majoring in organic chemistry. He is a senior engineer and a member of the Chinese Communist Party. Mr. Wu had served as deputy director of the materials technology division of the product technology department of IRICO Group; director of quality assurance division and director of assembly workshop of No. 1 IRICO Color Picture Tube Plant; deputy head of technology and quality department and director of the technology centre of IRICO Group; director and general manager of Xi'an IRICO Information Co., Ltd.\* (西安彩虹資訊有限公司); deputy factory manager of IRICO Electron Gun Factory\* (電子槍廠); director and general manager of Xianyang Caiqin Electronics Device Co., Ltd.\* (咸陽彩秦電子器件有限公司); director, deputy general manager and factory manager of the photovoltaic module factory of IRICO Photovoltaic Technology Company Limited\* (彩虹光伏科技公司), head of the technology and quality department and head of production and operation department of the Company.

**Mr. Sun Haiying (孫海鷹)**, aged 77, is an independent supervisor of the Company and joined the Group in September 2004. Mr. Sun graduated from the Northwest University (西北大學) in geography. He is currently the head and a professor of the Environmental Science and Engineering Centre of Xi'an Jiao Tong University (西安交通大學). He was a director of the Shaanxi Province Meteorological Bureau (陝西省氣象局), the director of Shaanxi Province Science and Technology Department (陝西省科學技術廳). He was a group leader of the Regional Science and Technology Development Group under the State Mid-and Long term Science and Technology Development Planning Team (國家中長期科學和技術發展規劃區域科技發展專題組) in July 2003.

## Profiles of Directors, Supervisors and Senior Management (Continued)

### Supervisors (Continued)

**Ms. Wu Xiaoguang (吳曉光)**, aged 63, is an independent Supervisor of the Company and joined the Group in September 2004. Ms. Wu was awarded a master's degree of business administration upon graduation from the Faculty of Business Administration of The Hong Kong Polytechnic University (香港理工大學). Ms. Wu acted as an associate professor of the School of Management at Xi'an Jiaotong University, the head of the ACCA (Association of Chartered Certified Accountants) Project Centre and the director of Finance and Taxation Management Education Center, a mentor of EMBA, MBA, MPA cc and ACCA, and has retired since September 2017. She was appointed as the head of the ACCA Project Centre of the Accounting School of Xi'an Eurasia University (西安歐亞學院) in June 2018. She was appointed as the senior advisor of the international committee, the senior advisor of the Business Construction of Xi'an Eurasia University in June 2019, and the expert of the Accounting School and the head of ACCA Project Centre.

### Other Senior Management

Ma Zhibin	55	Deputy general manager	
Wu Wenchao	55	Deputy general manager	
Huang Weihong	37	Chief financial officer	Appointed as the secretary to the Board on 6 January 2021
Chu Xiaohang	51	Company Secretary	Resigned on 6 January 2021

**Mr. Ma Zhibin (馬志斌)**, aged 55, is the deputy general manager of the Company and the chairman of Hanzhong IRICO Jiarunze Mining Development Co., Ltd. (漢中彩虹佳潤澤礦業開發有限公司), and joined the Group in July 1987. Mr. Ma graduated from Shanghai Construction Materials College (上海建材學院) majoring in glass with college education background. He is a senior engineer and a member of the Chinese Communist Party. Mr. Ma formerly served as the technician specializing in melting, engineer, assistant to the head of workshop, vice head of the workshop, head of the work shop and Party branch secretary of a glass factory and the vice head of a glass factory of the Company; the vice general manager and Party secretary of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹(張家港)平板顯示有限公司), the vice head, the head and the Party secretary in Photovoltaic Glass Factory of the Company, the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and other positions.

## Profiles of Directors, Supervisors and Senior Management (Continued)

### Other Senior Management (Continued)

**Mr. Wu Wenchao (吳文超)**, aged 55, the deputy general manager of the Company, the head of Xianyang IRICO Photovoltaic Glass Factory (咸陽彩虹光伏玻璃廠) and the general manager of Xianyang IRICO Photovoltaic Glass Co., Ltd (咸陽彩虹光伏玻璃有限公司). Mr. Wu joined the Group in July 1989. Mr. Wu graduated from Shaanxi Engineering College with a bachelor degree in machine manufacturing technology and equipment, and is a senior engineer and a member of the Chinese Communist Party. He served as a leader and an engineer of the grinding group of No. 2 drilling workshop, an engineer and an associate chief engineer of the processing technique office of the technical section, the deputy head and the head of the factory office, the head of the technical and quality section, an assistant to the factory director and the deputy factory director of IRICO Glass Factory, an assistant to the factory director and the head of the technical and quality department as well as the deputy factory director and factory director of IRICO Photovoltaic Glass Factory, and the assistant to the general manager of the Company.

**Mr. Huang Weihong (黃衛宏)**, aged 37, is a chief financial officer and the secretary to the Board of the Company and joined the Group in December 2019. Mr. Huang graduated from Northwestern Polytechnic University with a master's degree in business administration. He is a member of the Chinese Communist Party, a senior accountant, a senior auditor and an international certified internal auditor. He served as an auditor of the auditing bureau of the Bureau of Agriculture and Farming of Hainan Province, the audit manager of the China Aero-Polytechnology Establishment, the head of the audit department of Shaanxi Tourism Co. Ltd.\* (陝西旅遊股份有限公司), the manager and representative of securities affairs of securities affairs department of Shaanxi Tourism Culture Industry Holding Co. Ltd.\* (陝西旅遊文化產業股份有限公司). He was appointed as the secretary to the Board of the Company on 6 January 2021.

**Mr. Chu Xiaohang (褚曉航)**, aged 51, the company secretary and general counsel of the Company and joined the Group in July 1991. Mr. Chu graduated from Northwest University (西北大學) with a bachelor's degree in computer science and is a senior engineer. He obtained a master's degree in project management from the Graduate School of Chinese Academy of Sciences. He currently serves as the head of asset legal division. He served as a senior project management engineer in the strategic planning department of IRICO Group, head of the office of the Board, Joint Company Secretary and Secretary to the Board of the Company. Mr. Chu resigned as a company secretary of the Company due to changes in job arrangements on 6 January 2021.

## Profiles of Directors, Supervisors and Senior Management (Continued)

### Changes in Directors, Supervisors and Senior Management

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

Mr. Tong Xiaofei has been an executive Director of the Company since 20 January 2020.

Mr. Ding Wenhui has ceased to serve as a shareholder supervisor and the chairman of the Supervisory Committee of the Company since 10 June 2020.

Mr. Chen Xiaoning has served as a shareholder supervisor and the chairman of the Supervisory Committee of the Company since 10 June 2020.

Mr. Tong Xiaofei has ceased to serve as an executive deputy general manager of the Company (presiding over work) since 28 January 2021, and he has served as the general manager of the Company since 28 January 2021.

Mr. Ni Huadong has ceased to serve as the secretary to the Board of the Company since 6 January 2021, and he has served as a deputy general manager and the company secretary of the Company since 6 January 2021.

Mr. Huang Weihong has served as the secretary to the Board of the Company since 6 January 2021.

Mr. Chu Xiaohang has ceased to serve as the company secretary of the Company since 6 January 2021.

## Report of the Board

The Board hereby presents the report of the Board and the audited financial report of the Group for the year ended 31 December 2020 to the Shareholders.

### Principal operations

During the reporting period, the Group focused on the development of the principal business of photovoltaic glass, expanded and strengthened the photovoltaic glass business, and completed the offloading of new materials, modules and power station and other businesses.

### Business review and future development

During the reporting period, the Group continued to focus on its core business of new energy, and focused on the development of the principal business of photovoltaic glass. Hefei and Yan'an photovoltaic glass bases achieved robust production and sales, and recorded increase both in volume and prices. The Group made breakthroughs in new photovoltaic glass products including the thin, large-sized and double-glazed photovoltaic glass, and maintained its global leading position in oxygen-fuel combustion and environmentally-friendly furnace technology. At the same time, the Group accelerated the development of industrial bases such as Hefei phase III ultra-thin and high-transmissivity photoelectric glass project, IRICO Xianyang ultra-thin and high-transmissivity photoelectric glass project and IRICO Shangrao ultra-thin and high-transmissivity photovoltaic glass project, and the effective expansion of production capacity will enable the Group to quickly share the market opportunities brought by the development of the photovoltaic industry. In addition, in order to highlight the principal business and expand and strengthen the photovoltaic glass business, the Group completed the offloading of new materials, modules and power station and other businesses.

In the future, the Group will continue to strengthen its strategic leadership, concentrate on reform and innovation, and strive to build itself as a world-renowned green new energy service provider.

### Major risks and uncertainties

During the reporting period, although the Group ranked top three in the industry in terms of production capacity scale, the gap between the Group and the top two was relatively large. Its supply capacity for orders from customers was slightly inadequate and its product structure still needed to be optimized; the limitation of supply capacity also caused a negative impact on the optimization and adjustment of customer structure. In this regard, the Group comprehensively seized the opportunity of the continuously positive development of photovoltaic industry and continued to expand the scale of production capacity, and expected to achieve over 10,000 tonnes of production capacity by 2025.

### Environmental protection policy

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

## Report of the Board (Continued)

### Compliance with relevant laws and regulations

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

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

### Results and dividend

During the reporting period, the Group recorded operating revenue of RMB2,518.51 million, representing a year-on-year increase of RMB273.40 million or 12.18%, and net profit attributable to shareholders of the parent of RMB219.66 million, representing a year-on-year increase of RMB126.52 million or 135.84%.

For the analysis on the financial indicator of the results of the Company for the year 2020, please see the section headed “Management Discussion and Analysis” in this report.

The annual results of the Group for the year ended 31 December 2020 and its financial position as at the same date prepared in accordance with PRC Accounting Standards for Business Enterprises are set out from page 2 to 3 of this annual report.

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

In light of the absence of accumulated surplus in 2020, the Board has resolved not to distribute any final dividends for the year ended 31 December 2020, which is subject to the approval from shareholders at the forthcoming annual general meeting.

## Report of the Board (Continued)

### Five year financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited and adjusted (if applicable) financial statements, is set out on page 294 of this annual report. This summary does not form part of the audited financial statements.

### Share capital

Details of the Company's share capital in 2020 and as at 31 December 2020 are set out in note XXXV to the financial statements.

### Purchase, redemption and sale of shares of the Company

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

### Reserves

Details of the movements of reserves of the Company and of the Group during 2020 are set out in Consolidated Statement of Changes in Equity.

### Distributable Reserves

As at 31 December 2020, the Company had no reserves available for distribution.

### Major customers and suppliers

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

#### Purchase

- The largest supplier accounted for 9% of the total purchase amount
- The five largest suppliers accounted for 30% of the total purchase amount

#### Sales

- The largest customer accounted for 12% of the total sales amount
- The five largest customers accounted for 39% of the total sales amount

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

## Report of the Board (Continued)

### Directors, Supervisors and Senior Management

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

Name	Positions	Changes
Si Yuncong	Executive Director and Chairman	
Tong Xiaofei	Executive Director	Appointed on 20 January 2020
Fan Laiying	Non-executive Director	
Ni Huadong	Non-executive Director	
Feng Bing	Independent Non-executive Director	
Wang Jialu	Independent Non-executive Director	
Wang Zhicheng	Independent Non-executive Director	
Ding Wenhui	Supervisor and Chairman of Supervisory Committee	Resigned on 10 June 2020
Chen Xiaoning	Supervisor and Chairman of Supervisory Committee	Appointed on 10 June 2020
Zhao Lefei	Supervisor	
Wu Mingli	Supervisor	
Sun Haiying	Supervisor	
Wu Xiaoguang	Supervisor	
Tong Xiaofei	Executive Deputy General Manager (presiding over the work)	Ceased to be an executive deputy general manager of the Company (presiding over the work) from 28 January 2021, and served as the general manager of the Company from 28 January 2021.
Ma Zhibin	Deputy General Manager	
Ni Huadong	Secretary to the Board	Ceased to be the secretary to the Board of the Company from 6 January 2021, and served as the deputy general manager and company secretary of the Company from 6 January 2021.
Wu Wenchao	Deputy General Manager	
Huang Weihong	Chief Financial Officer	Served as the secretary to the Board of the Company from 6 January 2021.
Chu Xiaohang	Company Secretary	Ceased to be the company secretary of the Company from 6 January 2021.

Biographical details of Directors, supervisors and senior management are set out on pages 20 to 27.

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



## Report of the Board (Continued)

### Remuneration of Directors and the Five Highest Paid Individuals

Details of the remuneration of Directors and the highest paid individuals of the Group are set out in note X. (V). 5 to the financial statements.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2020.

### Remuneration of senior management

According to Code B.1.5 of the Corporate Governance Code, the details of the annual remuneration of the senior management for the year 2020 which contained in note X. (V). 5 to the financial statements in this annual report are as follow:

Name	Fees <i>RMB</i>	Salary and allowance <i>RMB</i>	Pension insurance <i>RMB</i>	Others <i>RMB</i>	Total <i>RMB</i>
Tong Xiaofei	–	211,066.74	2,413.61	40,987.31	254,467.65
Ma Zhibin	–	322,552.19	2,679.84	32,932.23	358,164.26
Ni Huadong	–	337,478.39	2,694.72	60,048.96	400,222.07
Wu Wenchao	–	321,528.29	2,679.84	32,932.23	357,140.36
Huang Weihong	–	181,064.39	2,679.84	31,392.1	215,136.34

### Directors' and supervisors' interests in contracts

Save as disclosed in this report, no contract of significance in relation to the Company's business to which the Company or its subsidiaries were a party and in which a Director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or anytime during 2020.

## Report of the Board (Continued)

### Directors' and supervisors' service contracts

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

### Permitted indemnity provision

During the reporting period and as at 31 December 2020, the Company has arranged for liability insurance policies for the Directors and supervisors and to provide adequate protection for the Directors and supervisors.

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

As at 31 December 2020, none of the Directors, supervisors or chief executives and their respective associates held an interest and short position in shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such directors, supervisors, chief executives or senior management personnel were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

### Interests and short positions of substantial Shareholders and other parties

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 31 December 2020 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

China Electronics Corporation\* (中國電子信息產業集團有限公司) ("CEC"), through IRICO Group Company Limited ("IRICO Group") and its subsidiary, Rui Bou Electronics (HK) Limited, had interests in 1,601,468,000 domestic shares (representing 100% of the domestic share capital of the Company) and 74,424,000 H shares of the Company; CEC, through Xianyang Zhongdian IRICO Group Holdings Ltd.\* ("Zhongdian IRICO"), also had interests in 888,886,000 H shares of the Company. HKSCC Nominees Limited had interests in 1,923,001,646 H shares of the Company (representing 99.90% of the H share capital of the Company).

## Report of the Board (Continued)

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

Mr. Si Yuncong and Mr. Fan Laiying act as Directors of the Company. Mr. Si Yuncong concurrently acts as the chairman, the secretary of the Communist Party Committee and the legal representative of IRICO Group, and the chairman of Zhongdian IRICO. Mr. Fan Laiying concurrently acts as the chief accountant of IRICO Group. Mr. Chen Xiaoning acts as the supervisor and the chairman of the supervisory committee of the Company and concurrently acts as the deputy general manager of IRICO Group.

#### Notes:

As at 31 December 2020, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 1,923,001,646 H shares, among which:

Xianyang Zhongdian IRICO Group Holdings Ltd.\* (“Zhongdian IRICO”) had beneficial interests in 888,886,000 H shares of the Company (representing approximately 46.18% of the issued H shares of the Company).

Yan’an Dingyuan Investment (Group) Co., Ltd.\* (延安市鼎源投資(集團)有限公司) (“Yan’an Dingyuan”), through HuaAn Funds – Dingyuan QDII Single Asset Management Scheme, had beneficial interests in 203,148,000 H shares of the Company (representing approximately 10.55% of the issued H shares of the Company).

Hefei Xincheng State-owned Assets Management Co., Ltd.\* (合肥鑫城國有資產經營有限公司) (“Hefei Xincheng”), through HuaAn Funds – Xincheng QDII Single Asset Management Scheme, had beneficial interests in 193,460,000 H shares of the Company (representing approximately 10.05% of the issued H shares of the Company).

### Competing Interests

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

### Management contracts

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

## Report of the Board (Continued)

### Designated deposit and overdue time deposit

As at 31 December 2020, the Group had no designated deposits in any financial institutions in China. All of the Group's cash deposits are placed with commercial banks in China, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

### Employees, retirement benefits and other benefits

As at 31 December 2020, the Group had 2,007\* incumbent employees, of whom 11.0% were management and administrative personnel, 9.2% were technological personnel, 1.6% were accounting and audit personnel, 1.6% were sales and marketing personnel, and 76.6% were production employees.

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

\* Excluding service dispatch workers.

### Connected transactions

The connected transactions recorded during the year are as follows:

#### 1. Continuing connected transactions during the year of 2020

For the year ended 31 December 2020, there were various continuing connected transactions (the "Continuing Connected Transactions") between the Group and the following connected persons of the Group (collectively, the "Connected Persons" and each a "connected person" under the Listing Rules).

- (a) IRICO Group is a controlling Shareholder of the Company and thus a connected person of the Company;
- (b) Zhongdian IRICO is an associate of CEC and IRICO Group, both of which are in turn controlling Shareholders. Therefore, Zhongdian IRICO is a connected person of the Company;
- (c) Nanjing Electronics Information Industrial Corporation ("NEIIC"), a subsidiary and thus an associate of CEC. Therefore, NEIIC is also a connected person of the Company; and

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

- (d) China Elec-Trans Int'l Service Co., Ltd.\* (捷達國際運輸有限公司) (“CETIS”), a subsidiary of CEC, and thus an associate of CEC. Therefore, CETIS is also a connected person of the Company.

For the year ended 31 December 2020, the approved annual caps for each of the continuing connected transactions (the “Annual Caps”) and the actual revenue or expenditure in respect of each of the continuing connected transactions are set out below:

No.	Item	Annual Caps for Connected Transaction of 2020 <i>RMB'000</i>	Amount incurred for Connected Transaction of 2020 <i>RMB'000</i>
(i)	IRICO Group Master Purchase Agreement Purchase of packaging materials and raw materials, electricity and ancillary services from IRICO Group	104,778	51,025
(ii)	Zhongdian IRICO Master Purchase Agreement Purchase of materials and utilities necessary for solar photovoltaic business and new materials business, including materials, water, electricity, gas and other utilities and ancillary services from Zhongdian IRICO	106,169	22,245
(iii)	Zhongdian IRICO Premises Leasing Framework Agreement Zhongdian IRICO shall lease factories and office premises owned by it to the Company with a maximum area of 93,960 square meters	12,966	3,063
(iv)	NEIC Master Sales Agreement Sales of electricity, photovoltaic products and new material products to NEIC	642,054	11,291
(v)	NEIC Master Purchase Agreement Purchase of materials used for production of solar photovoltaic glass, raw materials necessary for new material business and relevant products from NEIC	307,253	203,332
(vi)	Master Transportation Services Agreement Provision of product transportation services by CETIS to the Company	12,000	7,761

The consideration for each of the continuing connected transactions listed above during the reporting period is set out in the respective agreements with relevant connected persons, details of which were set out in the Company's announcements dated 23 October 2018, 18 December 2018 and 16 June 2020 and the circular dated 3 December 2018.

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

##### (i) IRICO Group Master Purchase Agreement

Date: 23 October 2018

Parties: (i) the Company as the purchaser; and

(ii) IRICO Group as the supplier

Term: 1 January 2019 to 31 December 2021, subject to early termination by the Company by giving at least three months' prior written notice to IRICO Group. IRICO Group shall not unilaterally terminate the IRICO Group Master Purchase Agreement without written consent of the Company.

Nature of transactions: The Company shall purchase packaging materials and raw materials, electricity and ancillary services from IRICO Group.

Pricing policy: (i) The prices for the packaging materials and raw materials shall be determined in accordance with the Market Price (as defined below):

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

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

##### (i) *IRICO Group Master Purchase Agreement (Continued)*

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

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

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

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

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

Date: 23 October 2018

Parties: (i) the Company as the purchaser; and

(ii) Zhongdian IRICO as the supplier

Term: 1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least three months' prior written notice to the other party.

Nature of transactions: The Company shall purchase materials and utilities necessary for the solar photovoltaic business and the new materials business, including materials, water, electricity, gas and other utilities and ancillary services from Zhongdian IRICO.

Pricing policy: (i) The prices for the materials necessary for production shall be determined in accordance with the "Market Price" (as defined below).

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



## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

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

- (ii) The prices for the utilities necessary for production, including water, electricity, gas and other utilities and ancillary services, shall be determined in accordance with the following policies:
  - (a) where there is Government-prescribed Price (as defined below), in respect of the utilities necessary for production, including water, gas and other utilities and ancillary services, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price; or
  - (b) where there is Government-prescribed Price, in respect of electricity necessary for production, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government -prescribed Price for electricity or the management fee on the electricity transformer substation in proportion to the usage of electricity by the Company payable to Xianyang Electric Power Supply Bureau by Zhongdian IRICO; or
  - (c) where there is no Government-prescribed Price, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to reasonable costs incurred plus reasonable profit. The reasonable costs primarily include raw materials, labour, taxation, management fee, etc.

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

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

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

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

##### *(iii) Zhongdian IRICO Premises Leasing Framework Agreement*

Date: 23 October 2018

Parties: (i) Zhongdian IRICO as the lessor; and  
(ii) the Company as the lessee

Term: 1 January 2019 to 31 December 2021

Nature of transactions: Zhongdian IRICO shall lease factories and office premises owned by it to the Company with a maximum area of 93,960 square meters.

Pricing: Monthly rental is RMB11.5 per square meter, which shall be actually settled according to the actual leased area.

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

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

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

##### *(iv) NEIC Master Sales Agreement*

Date: 23 October 2018

Parties: (i) the Company as the supplier; and  
(ii) NEIC as the purchaser

Term: 1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least one month prior written notice to the other party.

Nature of transactions: The Company shall sell electricity, photovoltaic products (photovoltaic modules) and new material products (photoresist) to NEIC.

Pricing policy: (i) The prices for the electricity shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price (as defined below).

"Government-prescribed Price" means the prices of electricity in Jiangsu Province as prescribed by the State Grid Corporation of China as updated and amended from time to time.

(ii) The prices for the photovoltaic products (photovoltaic modules) and the new material products (photoresist) shall be determined in accordance with the Market Price (as defined below).

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

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

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

##### (v) *NEIC Master Purchase Agreement*

Date:	23 October 2018
Parties:	(i) the Company as the purchaser; and (ii) NEIC as the supplier
Term:	1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least three months' prior written notice to the other party.
Nature of transactions:	The Company shall purchase materials used for production of solar photovoltaic glass (including mould proof paper and coating solution), raw materials for new material business (including NixCoyMnz (OH)2) and relevant products from NEIC.
Pricing policy:	The prices for the materials (including mould proof paper and coating solution) and products (including NixCoyMnz (OH)2) shall be determined in accordance with the Market Price (as defined below).

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

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

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

##### *(vi) Master Transportation Services Agreement*

Date: 16 June 2020

Parties: (i) the Company (as the services recipient);  
(ii) CETIS (as the services provider)

Term: 1 January 2020 to 31 December 2021, subject to early termination by either party by giving at least three months' prior written notice to the other party.

Nature of transactions: CETIS shall provide the product transportation services to the Company.

Pricing policy: The prices for the product transportation services shall be determined in accordance with the market price.

Upon receipt of quotations from CETIS, the investment operating department of the Company and its designated persons will ascertain the prices offered or charged by independent third parties, generally by way of, obtaining quotations for a comparable volume of same or similar type of transportation services from at least two independent third parties via emails, fax, phone or tenders by publishing tender notice via various media resources (for instance, the local newspapers), and take average of such quotations as the market price.

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

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 1. Continuing connected transactions during the year of 2020 (Continued)

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

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

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

- (1) were approved by the Board of the Company;
- (2) were carried out in accordance with the pricing policies of the Company;
- (3) were carried out in accordance with respective agreements governing such transactions; and
- (4) had not exceeded the existing Annual Caps.

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 2. One-off connected transactions

- (1) As part of the new H share issue of the Company, the Company entered into the subscription agreement with Zhongdian IRICO on 24 July 2017, pursuant to which, Zhongdian IRICO has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 900 million new H shares at a consideration of RMB900 million. On 28 August 2020, the Company completed the placing of new H shares. An aggregate of 1,294,092,000 new H shares has been successfully placed to not less than six but not more than ten places (including 888,886,000 new H shares being placed to Zhongdian IRICO) at the placing price of HK\$1.12 per placing share through placing agents.

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

For details, please refer to the announcements of the Company dated 24 July 2017 and 28 August 2020.

#### (2) *Proposed Disposals and the Proposed Purchase*

On 30 October 2020, the Company entered into: (i) the equity transfer agreement in relation to disposal of Xianyang IRICO Green Energy Co., Ltd.\* (咸陽彩虹綠色能源有限公司) (“**IRICO Green Energy**”) with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 100% equity interests in IRICO Green Energy at a cash consideration of RMB104,100,000; (ii) the equity transfer agreement in relation to disposal of Shaanxi IRICO New Material Co., Ltd.\* (陝西彩虹新材料有限公司) (“**IRICO New Material**”) with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 76.32% equity interests in IRICO New Material at a cash consideration of RMB287,115,800; (iii) the equity transfer agreement in relation to disposal of Jiangsu IRICO Yongneng New Energy Company Limited\* (江蘇彩虹永能新能源有限公司) (“**IRICO Yongneng**”) with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 51% equity interests in IRICO Yongneng at a cash consideration of RMB61,455,000; and (iv) the equity transfer agreement in relation to disposal of Zhuhai Caizhu Industrial Co., Ltd.\* (珠海彩珠實業有限公司) (“**Zhuhai Caizhu**”) with Zhongdian IRICO, pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 49% equity interests in Zhuhai Caizhu at a cash consideration of RMB129,418,900 (collectively the “**Proposed Disposals**”).

## Report of the Board (Continued)

### Connected transactions (Continued)

#### 2. One-off connected transactions (Continued)

##### (2) *Proposed Disposals and the Proposed Purchase (Continued)*

On 30 October 2020, IRICO (Hefei) Photovoltaic Co., Ltd. (“**Hefei Photovoltaic**”), a wholly-owned subsidiary of the Company, entered into the purchase agreement with IRICO Group, pursuant to which IRICO Group agreed to provide Hefei Photovoltaic with system equipment and related services under the project of Hefei Photovoltaic regarding industrialization of ultra-thin and high transmissivity photoelectric glass and research and development for technical equipment, and the total consideration payable by Hefei Photovoltaic to IRICO Group is approximately RMB290 million (the “**Proposed Purchase**”).

On 30 October 2020, IRICO Group was the controlling Shareholder of the Company which directly and indirectly held approximately 47.16% of the issued share capital of the Company. Zhongdian IRICO, which was directly held as to 72.08% by CEC (the ultimate controlling Shareholder of the Company) and 27.92% by IRICO Group (the controlling Shareholder of the Company), was an associate of CEC and IRICO Group. Therefore, both IRICO Group and Zhongdian IRICO were connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Proposed Disposals and the Proposed Purchase constituted connected transactions of the Company.

Pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules, the Proposed Disposals would be calculated on an aggregate basis. As the highest applicable percentage ratio of the Proposed Disposals as calculated on an aggregate basis exceeded 25% but was less than 75%, the Proposed Disposals constituted major and connected transactions of the Company and were subject to the reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Proposed Purchase exceeded 5% but was less than 25%, the Proposed Purchase constituted a discloseable and connected transaction of the Company and was subject to the reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. On 28 December 2020, the Proposed Disposals and the Proposed Purchase were approved by the independent Shareholders at the extraordinary general meeting.

For details, please refer to the announcements of the Company dated 30 October 2020 and 28 December 2020 and the circular dated on 8 December 2020.

In respect of each related party transaction disclosed in note X. (V). 1 to the financial statements, the Company confirms that it has complied with the relevant requirements under the Listing Rules.

Save as disclosed above, the related party transactions set out in note X. (V). 1 to the financial statements do not constitute connected transactions under Chapter 14A of the Listing Rules.



## Report of the Board (Continued)

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

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

### Bank loans

As at 31 December 2020, details of bank loans of the Group are set out in note V. (XXI, XXVIII, XXX) to the financial statements.

### Pre-emptive rights

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

### Subsidiaries

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

### External guarantee

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

### Material litigation

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

### Contingent liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

## Report of the Board (Continued)

### Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. During the year ended 31 December 2020, the Company has complied with the Code Provisions of the CG Code.

### Model Code

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

### Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors believe that the relevant minimum percentage applicable to listed securities was maintained at any time throughout the reporting period.

### Audit committee

The audit committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2020, including the accounting principles adopted by the Group.

## Report of the Board (Continued)

### Auditor

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

As the term of WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) for provision of auditing services within the central enterprise systems which the Company pertains to has reached the time limit prescribed by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council, it resigned as the auditor of the Company after the closing of the 2018 annual general meeting of the Company. As considered and approved by the shareholders of the Company at the 2018 annual general meeting of the Company held on 28 May 2019, BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) was appointed as the auditor of the Company for year 2019. As approved at the 2019 annual general meeting of the Company held on 10 June 2020, BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) was re-appointed as the auditor of the Company for year 2020. For details, please refer to the announcements of the Company dated 15 May 2019, 28 May 2019 and 10 June 2020.

The financial statements of the Company for the year 2020 have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP. For further information of the auditors of the Company, please refer to "External auditor and their remunerations" under Corporate Governance Report of this annual report.

By order of the Board  
**Si Yuncong**  
*Chairman*

Xianyang, the People's Republic of China  
26 March 2021

## Report of the Supervisory Committee

In 2020, all members of the supervisory committee of the Company (the “**Supervisory Committee**”) complied with the principle of integrity, were responsible to all Shareholders and sincerely performed the duties of supervision to practically safeguard the interests of the Shareholders in strict compliance with relevant provisions under relevant laws and regulations of China and the Articles of Association. They supervised and examined significant operating activities, the financial status of the Company, performance of duties by the Directors and senior management and the compliance with relevant laws and regulations in 2020. I hereby present the work report of 2020 as follows:

During this year, pursuant to the requirement of the Articles of Association, the Supervisory Committee has reviewed financial reports regularly. The Supervisory Committee held two on-site meetings and conducted votes on and passed two written resolutions, and reviewed the following proposals: the 2019 work report of the Supervisory Committee, the audited financial report of 2019, the reviewed interim financial report for the first half of 2020, change of shareholder supervisor and election of the chairman of the fourth session of the Supervisory Committee of the Company. The convening of meetings and the voting on written resolutions were in compliance with the relevant requirements of the PRC Company Law and the Articles of Association.

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

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

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

By order of the Supervisory Committee  
**Chen Xiaoning**  
*Chairman of the Supervisory Committee*

Xianyang, the People’s Republic of China  
26 March 2021

# Environmental, Social and Governance Report

This environmental, social and governance (“ESG”) report (the “Report”) was prepared to present the performance of environmental and social responsibility of IRICO Group New Energy Company Limited\* (the “Company”) and its subsidiaries (collectively, the “Group”) for the year from 1 January 2020 to 31 December 2020 (the “reporting period”). This Report was prepared with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “Board”) of the Company is responsible for evaluating and determining the Company’s ESG-related risks, and ensuring that long-term effective ESG supervision and management mechanisms are in place. The management of the Company has confirmed to the Board that these mechanisms are effective. For further details, please refer to the section headed “Corporate Governance Report – Control mechanism” in the 2020 annual report of the Company.

## Part I Environmental

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

### Environmental Protection

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

# Environmental, Social and Governance Report (Continued)

## Part I Environmental (Continued)

### Environmental Management

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

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

### Emissions

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

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

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

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

# Environmental, Social and Governance Report (Continued)

## Part I Environmental (Continued)

### Emissions (Continued)

Emissions from the production of the Group mainly include exhaust gas (dust, oxynitride and sulfur dioxide), wastewater and solid waste (grinding sludge and cullet). In 2020, emissions from its enterprises in Xianyang, Yan'an and Hefei after meeting relevant standards included: dust in exhaust gas from photovoltaic furnaces of 23.22 tonnes, sulfur dioxide of 375.8 tonnes, oxynitride of 506.6 tonnes, industrial wastewater of 1,018,400 tonnes and domestic wastewater of 159,600 tonnes. The emission of chemical oxygen demand (COD) reached 17.34 tonnes and 3,698.7 tonnes of grinding sludge were disposed based on relevant standards. All photovoltaic cullet was recycled.

### Online monitoring, supervisory monitoring and independent monitoring

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

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

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

### Promoting Environmental Management System

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

# Environmental, Social and Governance Report (Continued)

## Part I Environmental (Continued)

### Environmental protection target and completion

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

In 2020, the Group earnestly followed the laws and regulations on environmental protection. Major pollutants were discharged after meeting relevant standards and the disposal of solid waste was legal. There were no environmental incidents in the Group during the reporting period.

### Training on environmental protection

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

### Use of Resources

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



# Environmental, Social and Governance Report (Continued)

## Part I Environmental (Continued)

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

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

Power consumption in 2019	Unit: kWh
Headquarters	32,957,670
Hefei Photovoltaic	206,732,591.9
Yan’an New Energy	54,760,160

Power consumption in 2020	Unit: kWh
Headquarters	12,419,412.18
Hefei Photovoltaic	207,944,024.3
Yan’an New Energy	156,570,880

In 2020, the Group effectively improved its production efficiency through improvement of production process and adoption of new technologies and equipment. In 2020, the total power consumption of all factories of the Group increased by 28.01% from 294,450,421.9 kWh in 2019 to 376,934,316.5 kWh, while the total production output increased by 35.73% year on year. Per unit power consumption for photovoltaic glass production in 2020 was 4.79 kWh/square, decreasing by 5.68% from 5.08 kWh/square in 2019. It should be noted that on 31 May 2019, all the photovoltaic furnaces in Xianyang (the headquarters of the Company) were shut down. Thereafter, only the cold-end production lines were retained and original glass was purchased from external sources for processing and production. Natural gas was not consumed and power consumption was significantly reduced.

Natural gas consumption in 2019	Unit: cubic meters
Headquarters	7,775,318
Hefei Photovoltaic	90,724,290
Yan’an New Energy	20,982,952

Natural gas consumption in 2020	Unit: cubic meters
Headquarters	0
Hefei Photovoltaic	92,983,503
Yan’an New Energy	46,039,391

# Environmental, Social and Governance Report (Continued)

## Part I Environmental (Continued)

### Improving utilization rate of natural gas with oxygen-fuel combustion furnaces (Continued)

The Group reduced natural gas consumption through enhanced internal management, strict evaluation and adoption of technical improvement measures. In 2020, the total natural gas consumption of all factories of the Group increased by 16.35% from 119,482,560 cubic meters in 2019 to 139,022,894 cubic meters, while the total production output increased by 35.73% year on year. Per unit natural gas consumption in 2020 was 1.77 cubic meters/square meter, decreasing by 14.27% from 2.06 cubic meters/square meter in 2019. It should be noted that on 31 May 2019, all the photovoltaic furnaces in Xianyang (the headquarters of the Company) were shut down. Thereafter, only the cold-end production lines were retained and original glass was purchased from external sources for processing and production. Natural gas was not consumed and power consumption was significantly reduced.

### Wastewater utilization and treatment

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

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

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

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

Water consumption in 2019	Unit: tonnes
Headquarters	128,437
Hefei Photovoltaic	1,421,721
Yan'an New Energy	12,789

Water consumption in 2020	Unit: tonnes
Headquarters	27,214
Hefei Photovoltaic	1,611,589
Yan'an New Energy	416,367

# Environmental, Social and Governance Report (Continued)

## Part I Environmental (Continued)

### Wastewater utilization and treatment (Continued)

In 2020, the total water consumption of all factories of the Group increased by 31.49% from 1,562,947 tonnes in 2019 to 2,055,170 tonnes, while the total production output increased by 35.73% year on year. Per unit water consumption in 2020 was 261.19 tonnes/10,000 square meters, decreasing by 3.12% from 269.60 tonnes/10,000 square meters in 2019. The Group did not encounter any problems or difficulties in ensuring sufficient water supply for production.

### Waste heat utilization

In order to reduce energy consumption and production cost, the Group vigorously promotes heating with waste heat at the production bases in Yan'an and Hefei, and the base in Hefei uses waste heat for power generation. The Group has reduced a heating fee of over RMB2 million every year and achieved the targets of energy saving, emission reduction, cost cutting and efficiency improvement.

### Photovoltaic power generation

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

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

Packaging materials (wood) consumption in 2019	Unit: tonnes
Headquarters	1,100
Hefei Photovoltaic	5,601.2
Yan'an New Energy	220

Packaging materials (wood) consumption in 2020	Unit: tonnes
Headquarters	382.23
Hefei Photovoltaic	8,640
Yan'an New Energy	368.56

The Group effectively reduces the use of packaging materials and avoids waste by reducing the backlog of inventory, avoiding excessive requisition of materials, enhancing recycling management and appraisal, promoting innovative management and recycling of packaging materials and increasing the usage and recycling of iron frame. In 2020, all factories of the Group consumed 9,390.79 tonnes of wooden packaging materials in total, increasing by 35.68% from 6,921.2 tonnes consumed in 2019, while the total production output increased by 35.73% year on year. Per unit consumption of wooden materials in 2020 was 1.1935 tonnes/10,000 square meters, decreasing by 0.03% from 1.1939 tonnes/10,000 square meters in 2019.

# Environmental, Social and Governance Report (Continued)

## Part I Environmental (Continued)

### The Environment and Natural Resources

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

### Environmental protection and sustainable development

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

## Part II Social

### Employment and Labour Practices

#### *Employment*

As at 31 December 2020, the Group had 2,007 incumbent employees, of whom approximately 11% were management and administrative personnel, 9.2% were technological and research and development personnel, 1.6% were financial and audit personnel, 1.6% were sales and marketing personnel, and 76.6% were production workers.

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



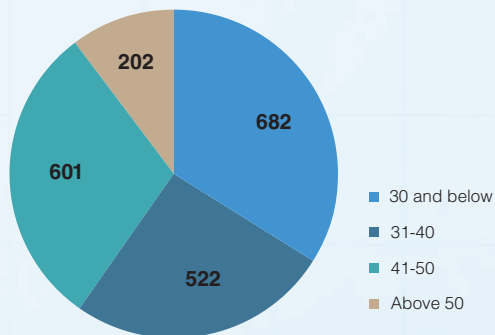
# Environmental, Social and Governance Report (Continued)

## Part II Social (Continued)

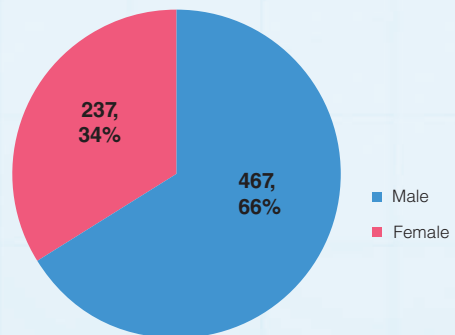
### Employment and Labour Practices (Continued)

#### Employment (Continued)

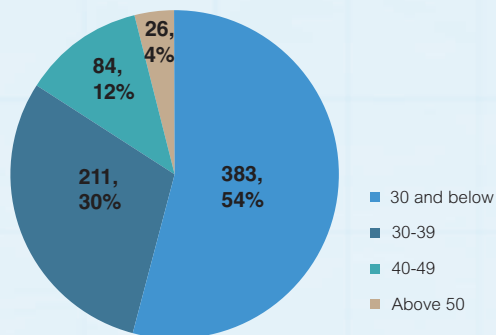
Age



Employee Turnover Rate by Gender



Employee Turnover Rate by Age



# Environmental, Social and Governance Report (Continued)

## Part II Social (Continued)

### Employment and Labour Practices (Continued)

#### *Employment (Continued)*

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

Throughout 2020, the Group has complied with relevant laws and regulations in terms of recruitment and promotion, working hour, holiday, equal opportunity, anti-discrimination and other benefits.

\* *Excluding dispatched employees*

# Environmental, Social and Governance Report (Continued)

## Part II Social (Continued)

### Staff development and training

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

Training subjects	Training contents
Workplace safety	Special Training for Workplace Safety Regulation; Training for Safety Management Personnel; Job Safe- Operation Practices, etc.
Quality management	Basic Training on ISO9000 Quality System; Training on Quality Management and Inspection Technical Knowledge; On-the-job Training for Professional and Technical Personnel of Quality Inspection, etc.
Management skills	Cost Analysis and Control from the Perspective of Management Accounting; Trend of State-owned Enterprises Reform and Enterprises' Development; Senior Training Courses on Cooperate Financial Analysis Ability, Investment and Financing Practice, etc.
How to develop personal professional skills and knowledge	Enterprise Labor Employment Management in Pandemic Prevention and Control Stage; Network Training on Performance Ability of Enterprise Legal Adviser; Internal Control and Enterprise Risk Management; Training on Procurement, Bidding and Contract Management System and its Practices; Learning about the Civil Code and Regulation System of Central Enterprises, etc.
Training for Reserve Young Talents	Interpretation of Summary of Industrial Projects and Strategic Planning of the Group; Cognition and Orientation of Management Roles; Discussion on Problems of Pragmatic Work Based on Action Learning; Financial Management of Non-financial Managers, etc.

# Environmental, Social and Governance Report (Continued)

## Part II Social (Continued)

### Staff development and training (Continued)

In 2020, a total of 254 training programs, consisting of an aggregate of 60,512 training hours, were offered to 5,658 trainees at the headquarters of the Company and its subordinate units. The Group also encourages employees to learn by themselves to support their personal development.

#### *Total training hours and number of trainees by employee category*

Employee category	Total training hours	Number of trainees
Senior management	2,237 hours	143
Management personnel	5,961 hours	678
Technological personnel	4,714 hours	488
General employee	47,600 hours	4,349

### Occupational Health and Safety

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

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



# Environmental, Social and Governance Report (Continued)

## Part II Social (Continued)

### Occupational Health and Safety (Continued)

Summary of certain campaigns:

In March 2020, the Company held the “3.15 Fire Safety Week” campaign in which safety publicity was conducted by hanging fire safety banners, making fire safety signboards, organising fire drills for relevant employees, replacing firefighting equipment, and completing lightning protection and grounding tests at factory areas.



# Environmental, Social and Governance Report (Continued)

## Part II Social (Continued)

### Occupational Health and Safety (Continued)

In June 2020, the Group's annual "safety production month", the Group organised 9 special emergency drills including firefighting emergency and evacuation for key areas and positions including photovoltaic furnace and calendaring involving more than 380 employees, to test the operability and practicability of the emergency plans. In addition, the Group comprehensively evaluated the drill results with a view to constantly optimizing the emergency plans and improving staff's emergency handling capacity to ensure safe production at factories.



In November 2020, as a response to the national initiative, the Group arranged "11.9 Fire Control Publicity Month". A variety of activities such as fire warning education and fire emergency drill were carried out and special inspections were conducted for fire-fighting equipment, electrical appliances and utility pipelines to identify and rectify safety hazards, creating a strong atmosphere for fire control publicity.



# Environmental, Social and Governance Report (Continued)

## Part II Social (Continued)

### Occupational Health and Safety (Continued)

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

In 2020, the occurrence rate of various safety accidents of the Group was zero. The Group strictly abided by the relevant laws and regulations that had a significant impact on the Group in respect of providing safe working environment and safeguarding employees from occupational hazards.

### Labour Standards

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

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

## Part III Production and Operation

### Supply Chain Management

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

# Environmental, Social and Governance Report (Continued)

## Part III Production and Operation (Continued)

### Supply Chain Management (Continued)

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

1. Sourced product information base and supplier information base are established; the budgetary price for bidding is determined by comparison with the market price; a pricing process is set up whereby the price of a product to be purchased is determined through electronic bidding; a bidding review and OA approval system is established within the Company to implement full-process management of review and approval for purchase contracts; at the same time, each production unit effectively utilizes the electronic management system to achieve full-process management from planning, procurement, warehousing to settlement.
2. Suppliers who have long been falling short of the quality requirements of our plants and failed to make improvements or those who have deeply flawed quality management systems will be suspended or recused in relation to their supplier qualifications as recorded in the Catalogue of Qualified Suppliers and their Products.
3. Supplier incentive mechanisms are established, whereby suppliers who are assessed as excellent will gain priority in respect of distribution of products to be supplied, long-term cooperation, etc.
4. Supplier incentive mechanisms are implemented and performance of suppliers will be evaluated, thereby procuring the suppliers to improve constantly. Sound and reasonable appraisal methods are employed to evaluate the effects of cooperation with individual suppliers and evaluation results will be fed back to the suppliers. The Group will discuss the causes of problems together with the suppliers and take improvement measures accordingly.
5. Casual reciprocal visits to and from manufacturers with good reputation and solid strength will be scheduled so as to create a sound cooperation atmosphere. Strategic purchase framework agreements are signed to create a win-win model.

## Environmental, Social and Governance Report (Continued)

### Part III Production and Operation (Continued)

#### Supply Chain Management (Continued)

The Company will monitor material quality on a long-term basis and carry out regular review on all suppliers to secure sustainable supply of quality materials and services. For the selection of suppliers, we will give priority to those with the Certification of the ISO9001 Quality Management System, the Certification of the ISO14001 Environmental Management System, the Certification of the OHSAS18001 Occupational Health and Safety Management System and other certifications under same conditions. We pay more attention to the environmental protection efforts of suppliers in the annual review on certain suppliers, and investigate and prevent briberies, frauds and other improper behaviors in the procurement process through the effective anti-corruption supervision and management system of the Group.

Geographical distribution	Number of suppliers
PRC	165

#### Product Liability

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

In 2020, the Group complied with relevant laws and regulations that have a material impact on the Group in respect of the health and safety, advertising, labelling and privacy matters of products and services provided as well as methods of redress.

# Environmental, Social and Governance Report (Continued)

## Part III Production and Operation (Continued)

### Prevention of Corruption

In stringent compliance with relevant laws and regulations of the PRC, the Group has formulated governing documents in respect of uncorrupt practice, warning conversations, accountability, etc. It actively builds and integrally promotes systems and mechanisms under which no one dares or can be corrupted or thinks of committing corruption. It has carried out adequate instructive work in respect of duty-related crimes including anti-corruption, conducted special work for rectification, self-examination and self-correction, and exerted strict supervision and inspection over the implementation of relevant systems, showing zero tolerance for duty-related malefactions. Meanwhile, the Group has undertaken a variety of warning education activities to advocate the establishment of incorruptible culture within the Group and create a clean and upright working environment.

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

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

### Community Involvement

#### *Pandemic Prevention and Control*

Facing the sudden outbreak and the severity of the pandemic, the Group actively responded to the call of the government by organizing Party members to donate money. In addition, it donated 10,000 masks and other items to its sister enterprises in the high-tech zone of Yan'an which had resumed work and production, as well as to the traffic police, public security officers, sanitation workers, village groups and communities fighting on the front line of pandemic prevention and control, so as to make contribution to protection of the staff on the front line of pandemic prevention and control.

#### *Targeted poverty alleviation*

2020 was the year of decisive battle against poverty in China. The Group actively performed its responsibility and mission as a central enterprise by carrying out in-village assistance work, during which workers were dispatched to serve as cadres in Heiyaogou Village, Zhen'an County. Meanwhile, it launched a campaign for poverty alleviation through consumption by millions of employees, during which labour unions of various affiliated units were organized to purchase products for poverty alleviation. The Group continued to conduct the activity themed "Co-construction of Civilized and Beautiful Village", the charity activity themed "Little Wish & Big Dream" for children in mountain villages in Heiyaogou Village, Zhen'an County on Children's Day, the activity of visiting 70 "left-behind elders" in Heiyaogou Village during the Double Ninth Festival and other activities.

# Corporate Governance Report

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

## 1. Corporate Governance Practices

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

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

# Corporate Governance Report (Continued)

## 2. The Board

### Duties of the Board

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

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

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

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



# Corporate Governance Report (Continued)

## 2. The Board (Continued)

### Composition

As at 31 December 2020, the Board comprises 7 Directors, including 2 executive Directors (i.e. Mr. Si Yuncong and Mr. Tong Xiaofei), 2 non-executive Directors (i.e. Mr. Fan Laiying and Mr. Ni Huadong) and 3 independent non-executive Directors (i.e. Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng) and is chaired by Mr. Si Yuncong. The biographies of Directors are set out from page 20 to 22 in this annual report.

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

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

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

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

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

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

## Corporate Governance Report (Continued)

### 2. The Board (Continued)

#### Duties of the Management

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

#### The Chairman and the general manager

The Chairman is responsible for the operation and management of the Board while the general manager takes charge of the day-to-day management of the Company's business. To ensure a balanced distribution of powers and authorisations, during the reporting period, the office and role of the Chairman are assumed by Mr. Si Yuncong (an executive Director), while Mr. Tong Xiaofei has served as the executive deputy general manager of the Company (presiding over the work) and fulfill the duties of general manager. The offices and roles of the Chairman and the general manager are assumed by two individuals separately and explicitly differentiated.

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

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

## Corporate Governance Report (Continued)

### 2. The Board (Continued)

#### Company Secretary

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

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

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

In 2020, the Company Secretary participated in 16 hours of training in respect of corporate governance, etc.

#### Board meetings

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

## Corporate Governance Report (Continued)

### 2. The Board (Continued)

#### Board meetings (Continued)

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

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

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

#### Number of meetings attended/Number of meetings held

Directors	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Extraordinary General Meeting	Annual General Meeting	Class Meeting of the Holders of H Shares	Class Meeting of the Holders of Domestic Shares
Si Yuncong	4/4	-	-	1/1	1/1	3/3	1/1	2/2	1/1
Tong Xiaofei	4/4	-	1/1	1/1	1/1	3/3	1/1	2/2	1/1
Fan Laiying	4/4	2/2	-	-	-	3/3	1/1	2/2	1/1
Ni Huadong	4/4	-	-	-	1/1	3/3	1/1	2/2	1/1
Feng Bing	4/4	2/2	-	1/1	1/1	3/3	1/1	2/2	1/1
Wang Jialu	4/4	2/2	1/1	1/1	1/1	3/3	1/1	2/2	1/1
Wang Zhicheng	4/4	2/2	1/1	1/1	1/1	3/3	1/1	2/2	1/1

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

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

# Corporate Governance Report (Continued)

## 2. The Board (Continued)

### Board committees

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

#### *Nomination Committee*

On 31 December 2020, the Nomination Committee comprises two executive Directors and three independent non-executive Directors, including Mr. Si Yuncong (executive Director), Mr. Tong Xiaofei (executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Si Yuncong. The Nomination Committee shall provide the Board with its advice on appointment of Directors, assessment of the Board's composition and change of Directors in accordance with certain agreed standards. The relevant standards include a Director's proper professional knowledge and work experience, personal integrity and commitment of adequate time. The Nomination Committee is responsible for the selection and recommendation of Director candidates, including consideration of candidates recommended by others and, when necessary, acquired by using public recruitment.

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

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

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

## Corporate Governance Report (Continued)

### 2. The Board (Continued)

#### Board committees (Continued)

##### *Nomination Committee (Continued)*

During the reporting period, the Nomination Committee conducted work focusing on the aforesaid terms of reference and discussed on the formulation of policy on the nomination of Directors, nomination procedures adopted for candidates for Directors and the selection and recommendation rules. In 2020, the Nomination Committee convened one meeting to mainly discuss the number of the Board and other matters.

##### *Audit Committee*

On 31 December 2020, the Audit Committee comprises one non-executive Director and three independent non-executive Directors, including Mr. Wang Zhicheng (independent non-executive Director), Mr. Fan Laiying (non-executive director), Mr. Feng Bing (independent non-executive Director) and Mr. Wang Jialu (independent non-executive Director), and is chaired by Mr. Wang Zhicheng, who has proper professional qualifications and financial experiences. The main role of the Audit Committee is to review the financial reports of the Company, review internal control and corporate governance and provide advices in respect thereof to the Board.

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

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

# Corporate Governance Report (Continued)

## 2. The Board (Continued)

Board committees (Continued)

### *Audit Committee (Continued)*

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

- I. Considering the audited financial reports of the Company for 2019 and the reviewed financial reports for the first half of 2020;
- II. Considering the report in relation to the execution of continuing connected transactions of the Company for 2019;
- III. Considering the report in relation to the audit fees of the Company for 2019;
- IV. Considering the proposal for appointment of the Company's domestic and overseas auditors for 2020;
- V. Reviewing the internal control system.

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

### *Remuneration Committee*

On 31 December 2020, the Remuneration Committee comprises one executive Director and two independent non-executive Directors, including Mr. Wang Jialu (independent non-executive Director), Mr. Tong Xiaofei (executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Wang Jialu.

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

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

## Corporate Governance Report (Continued)

### 2. The Board (Continued)

#### Board committees (Continued)

##### *Remuneration Committee (Continued)*

During the reporting period, the Remuneration Committee conducted work focusing on the aforesaid terms of reference, and assessed the performance of executive Directors and approved the terms of service contracts for executive Directors. In 2020, the Remuneration Committee convened one meeting to consider the proposal in relation to the remuneration status of Directors and supervisors of the Company for 2019, and the proposed authorization by the general meetings to the Board to determine the remuneration of Directors and supervisors of the Company for 2020.

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

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

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

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



## Corporate Governance Report (Continued)

### 2. The Board (Continued)

#### Board committees (Continued)

##### *Remuneration Committee (Continued)*

A Director's remuneration includes the amount paid by the Company and its subsidiaries to Directors for their management of affairs of the Company and its subsidiaries. Remunerations paid to each Director of the Company in 2020 are as follows:

(Unit: RMB)

Name	Position	Salary and allowance	Remuneration (Director's fee)	Pension insurance	Others	Remarks
Si Yuncong	Executive Director and Chairman	-	-	-	-	- Not receiving remuneration from the Company
Tong Xiaofei	Executive Director (appointed on 20 January 2020)	-	-	-	-	- Concurrently serving as an executive deputy general manager (preside over work) of the Company in 2020 whose remuneration is determined with the same standards as those of the management of the Company
Fan Laiying	Non-executive Director	-	-	-	-	- Not receiving remuneration from the Company
Ni Huadong	Non-executive Director	-	-	-	-	- Concurrently serving as the secretary of the Board of the Company in 2020 whose remuneration is determined with the same standards as those of the management of the Company
Feng Bing	Independent non-executive Director	-	100,000.00	-	-	-
Wang Jialu	Independent non-executive Director	-	100,000.00	-	-	-
Wang Zhicheng	Independent non-executive Director	-	100,000.00	-	-	-
Total		-	300,000.00	-	-	-

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

## Corporate Governance Report (Continued)

### 3. Statement of financial responsibility of the Board

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

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

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

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

### 4. Securities transactions by Directors

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

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

## Corporate Governance Report (Continued)

### 5. Control mechanism

Internal control and internal audit

#### *Internal control system*

The Board is fully in charge of the Company's internal control system, including its overall financial and operational status, hence avoiding material financial omission or loss and any omission or risk in relation to operation controls. Through its Audit Committee, the Board makes periodic (at least twice per year) review on the effectiveness of the internal control system of the Group, which includes controls over finance, operations, regulation compliance and risk management. Relevant results of 2020 have been reported to the Board through the Audit Committee.

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

The Board confirms that the Company has set up procedures and systems for efficient recognition, assessment and management of material operating risks. The Company has complied with the Code Provisions relating to internal controls as set out in the CG Code for the year ended 31 December 2020.

#### *Internal audit*

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

The internal audit department gives its prudent opinion as to whether the Company's operations have a comprehensive and efficient risk management system and reports to the Audit Committee of the Company accordingly. In 2020, all internal audit reports and opinions were submitted to the general manager and other executive Directors as well as the senior management of the audit department. The audit department also follows up on issues identified during the audit process and conducts follow-up audit to ensure that such issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the internal audit and the external auditor so that both are aware of the significant factors that may affect their respective scope of work.

## Corporate Governance Report (Continued)

### 5. Control mechanism (Continued)

Internal control and internal audit (Continued)

#### *Risk management*

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

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

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

During the year 2020, the Board continued to supervise the Group's risk management and internal control, and has reviewed the effectiveness of the risk management and internal control and confirmed that the Group has adequate resources for the Group's accounting, internal audit and financial reporting functions, and that the employees' qualifications and experience, the training courses for the employees and the related budgets are adequate. In the areas of financial management, risk management, compliance and financial operating risk management, the effective implementation, timely review and corresponding results are reported in the monthly operation meetings. The Board is responsible for the risk management and internal control systems, and the review of such systems as to their effectiveness. The objectives of such systems are to manage rather than eliminate the risks of failure in achieving business objectives, and to provide only a reasonable, but not absolute, assurance against material misstatements or losses.

## Corporate Governance Report (Continued)

### 5. Control mechanism (Continued)

#### Internal control and internal audit (Continued)

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

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

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

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

In 2020, the Company has complied with the above internal systems in relation to information disclosure obligations and made timely announcements of important matters that are to be disclosed. The Company has ensured the truthfulness, accuracy, completeness and timeliness of the disclosed information, and made sure that the investors were able to obtain publicly disclosed information in an open, fair and equitable manner.

## Corporate Governance Report (Continued)

### 5. Control mechanism (Continued)

Internal control and internal audit (Continued)

#### *External auditor and their remunerations*

As approved at the 2019 annual general meeting of the Company held on 10 June 2020, BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) was re-appointed as the auditor of the Company for year 2020. The Audit Committee reviewed the letter from BDO China Shu Lun Pan Certified Public Accountants LLP to confirm its independence and objectiveness, held meetings with the said auditor to discuss its audit scope and fees, and approved scope and fees for any non-audit service to be provided by the firm as required.

As of the year ended 31 December 2020, the remuneration of the external auditor amounted to RMB2,820,000, all of which was audit service fees. There were no non-audit service fees during the year. The audit fee has been approved by the Audit Committee and the Board.

### 6. Interests of shareholders and investor relations

General meetings

The Company encourages Shareholders' attendance at annual general meetings and gives at least 20 clear business days (being the days on which the Hong Kong Stock Exchange is open for business of dealing in securities) prior notice of such meetings. The Chairman shall attend the annual general meetings and invite the chairman of each committee (if he is unable to attend, a member of such committee will be invited) of the Board to attend the annual general meeting, and answer inquiries from the Shareholders. All Directors (especially independent non-executive Directors and non-executive Directors) shall attend the general meetings on a regular basis, including annual general meeting and extraordinary general meeting.

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

## Corporate Governance Report (Continued)

### 6. Interests of shareholders and investor relations (Continued)

#### General meetings (Continued)

On 10 June 2020, the 2019 annual general meeting was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 20 January 2020, an extraordinary general meeting was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 20 January 2020, a class meeting of the holders of H shares was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 16 October 2020, an extraordinary general meeting was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 28 December 2020, an extraordinary general meeting was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 28 December 2020, a class meeting of the holders of H shares was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 28 December 2020, a class meeting of the holders of domestic shares was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

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

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

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

## Corporate Governance Report (Continued)

### 6. Interests of shareholders and investor relations (Continued)

#### Rights of Shareholders

##### *Convening general meetings by Shareholders*

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

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

#### Enquiry by Shareholders

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

#### Procedures for Shareholders to put forward proposals and contact information

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



## Corporate Governance Report (Continued)

### 6. Interests of shareholders and investor relations (Continued)

#### Information disclosure and investor relations

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

### 7. Changes in Articles of Association

On 28 August 2020, the Company completed the placing of new H shares of 1,294,092,000 shares. According to the authorization granted at the extraordinary general meetings and the class meetings of the holders of H shares held on 23 January 2019 and 20 January 2020, the Board arranged for amendments to Article 22 of the Articles of Association in order to reflect the shareholding structure change after completion of the issue of new H shares. For details, please refer to the announcements of the Company dated 23 January 2019, 20 January 2020 and 28 August 2020.

Pursuant to the provisions of the Company Law of the People's Republic of China, the Reply of the State Council on the Adjustment of the Notice Period for Convening General Meetings and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) and the Working Rules of Primary-level Party Organizations of State-owned Enterprises of the Communist Party of China (for trial implementation) (《中國共產黨國有企業基層組織工作條例(試行)》), and the Guidelines for the Articles of Associations of Central Enterprises (Trial) (《中央企業公司章程指引(試行)》), after taking into consideration of the actual situation of the Company, the Board proposed to amend the Articles of Association accordingly. The proposal in relation to the amendments to the Articles of Association has been approved by the Shareholders at the extraordinary general meeting held by the Company on 16 October 2020. For details, please refer to the announcements of the Company dated 20 July 2020, 31 July 2020, 8 September 2020, 22 September 2020 and 16 October 2020.

## Corporate Governance Report (Continued)

For the updated version of the Articles of Association, please refer to the websites of the Company and Stock Exchange.

By order of the Board  
**Si Yuncong**  
*Chairman*

Xianyang, the People's Republic of China  
26 March 2021

# Independent Auditor's Report

For the year ended 31 December 2020

## Audit Report

Xin Kuai Shi Bao Zi [2021] No. ZG 10527

TO THE SHAREHOLDERS OF IRICO GROUP NEW ENERGY COMPANY LIMITED,

## I. Audit Opinion

We have reviewed the financial statements of IRICO Group New Energy Company Limited (the "Company"), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of changes in equity for 2020 as well as the relevant notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the Company's consolidated financial position as of 31 December 2020, and the Company's consolidated operating results and cash flows for 2020.

## II. Basis for Audit Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the section headed "Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" in our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independent Auditor's Report (Continued)

For the year ended 31 December 2020

### III. Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

Key audit matters	How our audit addressed the key audit matters
<p>(I) Recognition of revenue</p> <p>Please refer to Note III (XXVIII) for accounting policies of revenue recognition; refer to Note V (XL) for the disclosure of revenue.</p> <p>In 2020, the consolidated revenue of Company amounted to RMB2,519 million, mainly income from sales of solar photovoltaic glass as well as new materials, both inside and outside of China.</p> <p>The general principle for revenue recognition of the Company is that the Company recognizes revenue when the performance of obligation in a contract is fulfilled, namely the customer obtains control of relevant goods or services.</p> <p>(1) Revenue recognition for domestic sales: sales revenue is recognized after the Company ships and delivers the products to the customer and the customer accepts the products; (2) Revenue recognition for export sales: the revenue is recognized in the month of bill of lading when the declaration is completed, the customs form and bill of lading are obtained after shipment.</p> <p>As revenue is one of the key performance indicators of the Company, and there is an inherent risk of manipulation of the timing and amount of revenue recognized by management to meet specific targets or expectations, we identified the revenue recognition as a key audit matter.</p>	<p>Our audit procedures for the revenue recognition mainly include:</p> <ol style="list-style-type: none"><li>1. Understood and evaluated the design and effectiveness of operation of the key internal control by the management relevant to revenue recognition;</li><li>2. Selected samples to review the sales contracts and analysed the same via the "five-step method", judged the composition of the contract performance obligations and the timing of transfer of control rights, to assess whether the policy and timing to recognise the Company's sales revenue meet the requirements under the accounting standards;</li><li>3. Based on procedures of external confirmations for accounts receivable, selected samples of revenue transactions recorded for the current year, checked the supportive documents relevant to revenue recognition, checked the sales contracts, order for goods, invoice, outgoing list, product shipping list, equipment receipt, acceptance certificate, export documents, etc. in order to check the authenticity of revenue recognised;</li></ol>

# Independent Auditor's Report (Continued)

For the year ended 31 December 2020

## Key audit matters

## How our audit addressed the key audit matters

4. Performed analytical procedures on revenue and cost, including: analysis on fluctuation in revenue, cost, gross profit margin for each month of the current period, and performed analytical procedures on the revenue, cost, gross profit margin of principal products for the current period as compared to that of the previous period in order to check the accuracy of revenue recognised;
5. Selected samples of revenue transactions recorded around the balance sheet date and checked the outgoing list, receipt form and other supportive documents, in order to evaluate whether the revenue is recognized in an appropriate accounting period.

## Independent Auditor's Report (Continued)

For the year ended 31 December 2020

### Key audit matters

- (II) Carry amount of fixed assets and construction in progress

Please refer to Note III (XVII)/(XVIII) for the accounting policy for fixed assets and construction in progress; refer to Note V (XIII)/(XIV) for the disclosure of fixed assets and construction in progress.

The Company has made substantial investment in the construction of production lines for expansion of its photovoltaic glass production capacity. As at 31 December 2020, the total consolidated carrying value of fixed assets and construction in progress of the Company amounted to RMB2,401 million, representing 48.17% of the total consolidated assets.

The Company's judgement on determining which costs meet the criteria for capitalization, determining the timing for transfer of construction in progress to fixed assets and commencement of provision for depreciation and the estimation of useful economic lives and residual values of corresponding fixed assets will affect the carrying value of fixed assets and construction in progress, and the depreciation policy for fixed assets. We identified the carrying value of fixed assets and construction in progress as a key audit matter because of the major management judgement involved in the evaluation of carrying value of the fixed assets and construction in progress and its significance to the consolidated financial statements.

### How our audit addressed the key audit matters

Our audit procedures for carry amount of fixed assets and construction in progress mainly include:

- (1) Understood, evaluated and tested the design and effectiveness of operation of key internal control (including estimation of useful economic lives and residual values) relevant to the completeness, existence and accuracy of fixed assets and construction in progress;
- (2) Selected samples to check the physical condition of the construction in progress and fixed assets on the spot and to monitor the fixed assets;
- (3) Checked, on a sample basis, the expenditure capitalised incurred during the year by checking the costs capitalised against the relevant supportive documents (including important materials, equipment and construction contracts, order for goods, acceptance report, procurement invoices and bank payment voucher, etc) and assessed whether the costs capitalised in the current year met the relevant criteria for capitalisation;
- (4) Checked, on a sample basis, the acceptance report or project progress report, to judge the accuracy of the timing for the transfer of construction in progress to fixed assets;
- (5) Evaluated management's estimation of useful economic lives and residual values of fixed assets based on our knowledge of the business and practices adopted in the industry.

## Independent Auditor's Report (Continued)

For the year ended 31 December 2020

### IV. Other Information

The management of the Company (the management) is responsible for other information. Other information includes the information included in the Company's 2020 annual report, but excludes the financial statements and our audit report.

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

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

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

### V. Responsibilities of Management and Governance Layer for the Financial Statements

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

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

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

## Independent Auditor's Report (Continued)

For the year ended 31 December 2020

### VI. Certified Public Accountants' Responsibilities for the Audit of the Financial Statements

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

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

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



## Independent Auditor's Report (Continued)

For the year ended 31 December 2020

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

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

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

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

WUYIGE Certified Public Accountants LLP

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

*Chinese Certified Public Accountant: Gu Xin*

Shanghai • the PRC

26 March 2021

## Consolidated Balance Sheet

As at 31 December 2020 (All amounts in RMB Yuan unless otherwise stated)

Assets	Note V	Closing Balance	Balance at the end of last year
Current Assets:			
Cash at bank and on hand	(I)	717,909,270.00	405,448,222.14
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets	(II)	335,160.70	2,863,047.11
Derivative financial assets			
Bills receivable	(III)		1,990,378.52
Accounts receivable	(IV)	237,805,803.47	449,019,198.76
Receivables financing	(V)	418,786,392.28	455,599,031.06
Prepayments	(VI)	40,697,547.17	40,999,068.57
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	(VII)	374,583,997.35	142,070,012.04
Financial assets acquired for resale			
Inventory	(VIII)	178,811,652.24	154,730,841.63
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	(IX)	38,462,630.38	78,529,164.23
<b>Total current assets</b>		<b>2,007,392,453.59</b>	<b>1,731,248,964.06</b>

## Consolidated Balance Sheet (Continued)

As at 31 December 2020 (All amounts in RMB Yuan unless otherwise stated)

Assets	Note V	Closing Balance	Balance at the end of last year
Non-current Assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term accounts receivable	(X)	22,923,378.88	
Long-term equity investment	(XI)	11,730,970.89	194,360,686.48
Other investments in equity instruments	(XII)	308,930,383.16	251,344,922.06
Other non-current financial assets			
Investment properties			
Fixed assets	(XIII)	2,032,956,419.09	1,622,125,907.01
Construction in progress	(XIV)	367,729,484.07	791,768,042.42
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(XV)	8,012,893.41	14,883,147.32
Intangible assets	(XVI)	180,322,283.76	242,468,802.24
Development expenditures	(XVII)		24,915,390.59
Goodwill	(XVIII)		36,553,211.37
Long-term deferred expenses	(XIX)		857,353.95
Deferred income tax assets	(XX)	43,856,814.93	1,568,220.47
Other non-current assets			
<b>Total non-current assets</b>		<b>2,976,462,628.19</b>	<b>3,180,845,683.91</b>
<b>Total assets</b>		<b>4,983,855,081.78</b>	<b>4,912,094,647.97</b>

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

Legal representative of  
the enterprise:

Person in charge of  
accounting:

Head of  
accounting department:

## Consolidated Balance Sheet (Continued)

As at 31 December 2020 (All amounts in RMB Yuan unless otherwise stated)

Liabilities and Owner's Equity	Note V	Closing Balance	Balance at the end of last year
Current liabilities:			
Short-term borrowings	(XXI)	675,191,483.33	584,392,230.44
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	(XXII)	832,003,867.38	652,957,552.71
Accounts payables	(XXIII)	820,624,567.85	760,375,514.52
Receipts in advance			
Contract liabilities	(XXIV)	64,509,216.01	45,545,512.30
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	(XXV)	9,993,780.39	16,983,477.31
Taxes charge payable	(XXVI)	25,012,552.90	12,578,792.19
Other payables	(XXVII)	79,803,624.06	1,574,136,220.28
Handling fee and Commission Payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	(XXVIII)	305,102,565.12	533,033,644.18
Other current liabilities	(XXIX)	9,564,881.86	6,675,591.27
<b>Total current liabilities</b>		<b>2,821,806,538.90</b>	<b>4,186,678,535.20</b>

## Consolidated Balance Sheet (Continued)

As at 31 December 2020 (All amounts in RMB Yuan unless otherwise stated)

Liabilities and Owner's Equity	Note V	Closing Balance	Balance at the end of last year
<b>Non-Current Liabilities:</b>			
Insurance policy reserve			
Long-term borrowings	(XXX)	230,060,300.00	132,321,800.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	(XXXI)	5,716,249.99	10,661,506.91
Long-term payables	(XXXII)	109,108,886.69	213,076,889.47
Long-term employee benefits payable	(XXXIII)	3,974,743.13	9,537,743.87
Estimated liabilities			
Deferred income	(XXXIV)	66,907,014.72	70,110,797.81
Deferred income tax liabilities	(XX)		636,361.01
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>415,767,194.53</b>	<b>436,345,099.07</b>
<b>Total Liabilities</b>		<b>3,237,573,733.43</b>	<b>4,623,023,634.27</b>

## Consolidated Balance Sheet (Continued)

As at 31 December 2020 (All amounts in RMB Yuan unless otherwise stated)

Liabilities and Owner's Equity	Note V	Closing Balance	Balance at the end of last year
<b>Equity attributable to the shareholders:</b>			
Share capital	(XXXV)	3,526,441,400.00	2,232,349,400.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	(XXXVI)	931,041,044.64	943,531,444.10
Less: Treasury shares			
Other comprehensive income	(XXXVII)	-174,447,360.97	-231,481,998.58
Special reserve			
Surplus reserve	(XXXVIII)	22,477,267.06	22,477,267.06
General risk reserve			
Undistributed Profit	(XXXIX)	-2,559,231,002.38	-2,778,892,693.43
Total equity attributable to the owners of the Company		1,746,281,348.35	187,983,419.15
Minority interest			101,087,594.55
<b>Total equity attributable to the owners</b>		<b>1,746,281,348.35</b>	<b>289,071,013.70</b>
<b>Total liabilities and equity attributable to the owners</b>		<b>4,983,855,081.78</b>	<b>4,912,094,647.97</b>

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

Legal representative of  
the enterprise:

Person in charge of  
accounting:

Head of  
accounting department:

# Consolidated Income Statement

For the year 2020 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
<b>I. Total Operating revenue</b>		<b>2,518,509,025.80</b>	2,245,112,790.54
Including: Operating revenue	(XL)	2,518,509,025.80	2,245,112,790.54
Interest income			
Premium earned			
Revenue from handling charges and commission			
<b>II. Total operating cost</b>		<b>2,414,221,402.16</b>	2,333,693,048.17
Including: Operating costs	(XL)	1,941,209,474.84	1,966,446,728.69
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	(XLI)	13,399,519.64	11,895,745.55
Selling expenses	(XLII)	86,263,623.82	69,734,451.14
Administrative expenses	(XLIII)	165,558,528.62	128,478,554.44
Research and development expenses	(XLIV)	66,780,214.13	50,460,079.38
Finance costs	(XLV)	141,010,041.11	106,677,488.97
Including: Interest expense	(XLV)	116,589,732.43	109,203,148.48
Interest income	(XLV)	8,629,348.73	10,864,454.05
<b>Add: Other income</b>	(XLVI)	<b>66,919,679.06</b>	171,896,441.93
Investment income (loss is represented by "-")	(XLVII)	52,526,717.62	2,763,876.38
Including: Gains from investment in associates and joint ventures	(XLVIII)	-1,784,333.19	356,875.10
Income from derecognition of financial asset at the amortized cost	(XLVII)	-12,118,264.61	-3,954,793.74
Gains from foreign exchange (loss is represented by "-")			
Gains from net exposure hedges (loss is represented by "-")			
Gains from changes in fair value (loss is represented by "-")	(XLVIII)	-155,343.46	-5,294.81
Credit impairment losses (loss is represented by "-")	(XLIX)	1,323,193.33	-4,053,406.32
Impairment losses on assets (loss is represented by "-")	(L)	-11,999,264.22	-1,991,116.32
Gains from disposal of assets (loss is represented by "-")	(LI)	-51,228,223.47	146,297.50

## Consolidated Income Statement (Continued)

For the year 2020 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
<b>III. Operating profit (loss is represented by “-”)</b>		<b>161,674,382.50</b>	80,176,540.73
Add: Non-operating income	(LII)	9,703,012.20	3,903,773.85
Less: Non-operating expenses	(LIII)	52,480.82	7,925,207.52
<b>IV. Total profit (total loss is represented by “-”)</b>		<b>171,324,913.88</b>	76,155,107.06
Less: Income tax expenses	(LIV)	-30,294,409.05	2,069,990.40
<b>V. Net profit (net loss is represented by “-”)</b>		<b>201,619,322.93</b>	74,085,116.66
(I) Classified by continuity of operations		201,619,322.93	74,085,116.66
1. Net profit from continuing operations (net loss is represented by “-”)		201,619,322.93	74,085,116.66
2. Net profit from discontinued operations (net loss is represented by “-”)			
(II) Classified by ownership of equity		201,619,322.93	74,085,116.66
1. Net profit attributable to the shareholders of the parent company (net loss is represented by “-”)		219,661,691.05	93,141,994.89
2. Minority interests (net loss is represented by “-”)		-18,042,368.12	-19,056,878.23
<b>VI. Other comprehensive income, net of tax</b>	(XXXVII)	<b>57,034,637.61</b>	1,598,785.20
Other comprehensive income (net of tax) attributable to the owners of the parent company	(XXXVII)	57,034,637.61	1,598,785.20
(I) Other comprehensive income that cannot be reclassified to profit or loss	(XXXVII)	57,585,461.10	1,335,313.64
1. Re-measurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Changes in fair value of other equity instrument investments	(XXXVII)	57,585,461.10	1,335,313.64
4. Changes in fair value of enterprise’s own credit risk			



## Consolidated Income Statement (Continued)

For the year 2020 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
(II) Other comprehensive income that will be reclassified to profit or loss	(XXXVII)	-550,823.49	263,471.56
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified as other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flows hedging reserve			
6. Exchange differences from translation of foreign currency financial statements	(XXXVII)	-550,823.49	263,471.56
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			
<b>VII. Total comprehensive income</b>		<b>258,653,960.54</b>	<b>75,683,901.86</b>
Total comprehensive income attributable to the owners of the parent company		<b>276,696,328.66</b>	<b>94,740,780.09</b>
Total comprehensive income attributable to minority shareholders		<b>-18,042,368.12</b>	<b>-19,056,878.23</b>
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)	(LV)	<b>0.0825</b>	0.0417
(II) Diluted earnings per share (RMB/share)	(LV)	<b>0.0825</b>	0.0417

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

Legal representative of the  
enterprise:

Person in charge of  
accounting:

Head of  
accounting department:

## Consolidated Statement of Cash Flows

For the year 2020 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
<b>I. Cash flows from operating activities</b>			
Cash received from sale of goods or rendering of services		1,829,788,680.56	1,767,999,579.74
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from premiums of primary insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholders' deposits and investments			
Cash received from interest, fee and commission			
Net increase in capital borrowed			
Net increase of returned business capital			
Net cash received on behalf of brokerage customers			
Receipts of tax refunds		16,946,832.96	28,501,085.93
Cash received relating to other operating activities	(LVII)	963,902,267.75	730,034,602.74
Sub-total of cash inflows from operating activities		2,810,637,781.27	2,526,535,268.41
Cash paid for purchasing goods and receiving services		1,525,825,475.84	1,209,288,590.29
Net increase in customer loans and advances			
Net increase in funds placed with central bank and interbank			
Cash paid for claims under original policies			
Net increase in lending funds			
Cash paid as interest, fees and commission			
Cash paid as policy dividends			
Cash paid to and for employees		159,247,627.45	202,092,976.12
Cash paid for taxes and surcharges		22,414,413.18	20,428,757.97
Cash paid relating to other operating activities	(LVII)	917,552,328.30	666,333,644.65
Sub-total of cash outflows from operating activities		2,625,039,844.77	2,098,143,969.03
<b>Net cash flows from operating activities</b>		<b>185,597,936.50</b>	<b>428,391,299.38</b>

## Consolidated Statement of Cash Flows (Continued)

For the year 2020 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		67,091,158.36	128,473.94
Cash received from returns on investments		159,706.55	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		22,145,870.00	26,000.00
Net cash received from disposal of subsidiaries and other business entities	(LVIII)	186,283,799.34	3,204,037.10
Cash received from other investing activities	(LVII)	1,147,749.03	1,334,699.71
Sub-total of cash inflows from investing activities		276,828,283.28	4,693,210.75
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		47,112,409.97	165,178,601.06
Cash paid for investment			4,520,000.00
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business entities			
Cash paid relating to other investing activities	(LVII)	590,696.76	3,277,030.71
Sub-total of cash outflows from investing activities		47,703,106.73	172,975,631.77
<b>Net cash flows from investing activities</b>		<b>229,125,176.55</b>	<b>-168,282,421.02</b>

## Consolidated Statement of Cash Flows (Continued)

For the year 2020 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Current Period Amount	Previous Period Amount
<b>III. Cash flows from financing activities</b>			
Cash received from absorbing investments		1,284,751,600.54	
Including: Cash received by subsidiaries from minority shareholders' investment		3,150,000.00	
Cash received from borrowings		2,360,204,017.00	1,033,500,000.00
Cash received relating to other financing activities	(LVII)	282,638,730.79	907,544,674.65
Sub-total of cash inflows from financing activities		3,927,594,348.33	1,941,044,674.65
Cash paid for repayment of borrowings		2,145,414,649.69	1,218,548,782.04
Cash paid for distribution of dividends and profits or for interest expenses		116,742,467.88	96,800,972.92
Including: Dividends or profits paid to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	(LVII)	1,831,463,243.73	851,249,120.27
Sub-total of cash outflows from financing activities		4,093,620,361.30	2,166,598,875.23
<b>Net cash flows from financing activities</b>		<b>-166,026,012.97</b>	<b>-225,554,200.58</b>
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>		<b>-18,587,570.47</b>	<b>211,607.55</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>230,109,529.61</b>	<b>34,766,285.33</b>
Add: Cash and cash equivalents at the beginning of the period		163,386,562.37	128,620,277.04
<b>VI. Cash and cash equivalents at the end of the period</b>		<b>393,496,091.98</b>	<b>163,386,562.37</b>

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

Legal representative of  
the enterprise:

Person in charge of  
accounting:

Head of  
accounting department:

# Consolidated Statement of Changes in Equity

For the year 2020 (All amounts in RMB Yuan unless otherwise stated)

Item	Amount for the current period											Total owner's equity		
	Equity attributable to the owners of the parent company													
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Sub-total	Minority interests
I. Closing balance of the previous year	2,232,349,400.00				943,531,444.10		-231,481,998.58		22,477,267.06		-2,778,892,693.43	187,983,419.15	101,087,594.55	289,071,013.70
Add: Changes in accounting policies														
Correction for error in previous period														
Business combination under common control														
Others														
II. Opening balance for the year	2,232,349,400.00				943,531,444.10		-231,481,998.58		22,477,267.06		-2,778,892,693.43	187,983,419.15	101,087,594.55	289,071,013.70
III. Movements in the period (decrease is represented by "-")	1,294,092,000.00				-12,490,399.46		57,034,637.61				219,661,691.05	1,558,297,929.2	-101,087,594.55	1,457,210,334.65
(I) Total comprehensive income							57,034,637.61				219,661,691.05	276,696,328.66	-18,042,368.12	258,653,960.54
(II) Capital contribution and reduction from owners	1,294,092,000.00				-12,490,399.46						1,281,601,600.54	-83,045,226.43	1,198,556,374.11	
1. Ordinary shares contribution from owners	1,294,092,000.00				-12,490,399.46						1,281,601,600.54	3,150,000.00	1,284,751,600.54	
2. Capital contribution from owners of other equity instruments														
3. Amount of share-based payment included in shareholders' equity														
4. Others													-86,195,226.43	-86,195,226.43
(III) Profit distribution														
1. Appropriations of surplus reserve														
2. Appropriations of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Transfer of owners' equity														
1. Transfer to capital (or share capital) from capital reserve														
2. Transfer to capital (or share capital) from surplus reserve														
3. Surplus reserves for making up losses														
4. Changes in defined benefit plans transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserve														
1. Appropriations in the period														
2. Utilization in the period														
(VI) Others														
IV. Closing balance for the period	3,526,441,400.00				931,041,044.64		-174,447,360.97		22,477,267.06		-2,559,231,002.38	1,746,281,348.35		1,746,281,348.35

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

Legal representative of  
the enterprise:

Person in charge of  
accounting:

Head of  
accounting department:

# Consolidated Statement of Changes in Equity (Continued)

For the year 2020 (All amounts in RMB Yuan unless otherwise stated)

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

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

Legal representative of  
the enterprise:

Person in charge of  
accounting:

Head of  
accounting department:

# Notes to the Financial Statements for 2020

(All amounts in RMB Yuan unless otherwise stated)

## I. COMPANY PROFILE

### (I) Company Profile

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

After the initial issue of overseas-listed foreign shares, the Company’s registered capital was RMB1,941,174,000, with the total number of shares being 1,941,174,000 shares, of which 1,455,880,000 shares were domestic shares, accounting for 75% thereof, and 485,294,000 shares were foreign shares, accounting for 25%. As decided by the shareholders’ general meeting of the Company, with the capitalization of the capital reserve by 1 share for every 10 shares, the Company’s registered capital was changed to RMB2,135,291,400, and the total number of shares was changed to 2,135,291,400 shares, of which 1,601,468,000 shares were domestic shares, accounting for 75%, and 533,823,400 shares were foreign shares, accounting for 25%. In accordance with the general mandate granted to the Board by the 2009 Annual General Meeting, the Company completed the placing of 97,058,000 shares of H shares, with the registered capital being changed to RMB2,232,349,400, and the total number of shares being changed to 2,232,349,400 shares, of which 1,601,468,000 shares were domestic shares, accounting for 71.74%, and 630,881,400 shares were foreign shares, accounting for 28.26%.

In accordance with the approval at the extraordinary general meeting and the H share class meeting on 23 January 2019 and 20 January 2020, the Company completed the placing of 1,294,092,000 shares, with the registered capital being changed to RMB3,526,441,400, and the total number of shares being changed to 3,526,441,400 shares, of which 1,601,468,000 shares were domestic shares, accounting for 45.41%, and 1,924,973,400 shares were foreign shares, accounting for 54.59%.

The Company completed the placing of H shares on 28 August 2020. An aggregate of 1,294,092,000 Placing Shares were successfully placed to not less than six but not more than ten Placees at the placing price of HK\$1.12 per placing share. The net proceeds of the Placing (after deducting all applicable costs and expenses) are approximately HK\$1.44 billion.

As at 31 December 2020, the total share capital of the Company was 3,526,441,400 shares and the registered capital was RMB3,526,441,400. The unified social credit code of the Company was 916100007663066019. The place of registration was the courtyard at No. 1 Caihong Road, Qindu District, Xianyang, Shaanxi Province; its legal representative was Tong Xiaofei; the address of its headquarters was the courtyard at No. 1 Caihong Road, Qindu District, Xianyang, Shaanxi Province.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### I. COMPANY PROFILE (Continued)

#### (I) Company Profile (Continued)

The financial statements have been presented after approval by all Directors of the Company (the Board) on 26 March 2021.

Business scope of the Company mainly covers: the construction and operation of solar power plants; research, development, production and sales of solar photovoltaic glass, tempered glass, coated glass, conductive film glass, flat glass, and vacuum glass; research, development, production and sales of solar cell chip, solar cell module and their auxiliary products as well as silicon materials; solar photovoltaic power generation related business and research, development, production and sales of energy storage battery, inverter, household smart grids, and other auxiliary products; processing and further processing of quartz sand, an upstream material for solar photovoltaic glass; research, development, production and sales of power battery, cathode and anode materials of lithium battery, and upstream materials of lithium battery materials; research, development, manufacturing and sales of flat panel displays and auxiliary products and materials, electronic products; self-operated and commissioned import and export of various commodities and technologies (other than commodities and technologies whose dealing, import or export is restricted or prohibited by the state); operation of processing with imported materials and “Three-plus-one” trading-mix business (i.e. processing and compensation trade); foreign trade and entrepot trade; research, development, manufacturing and sales of computer software and hardware, chemical products (other than precursor chemicals and hazardous chemical products), information technology, industrial control systems and its complete devices; processing and repairing machinery; development of, training and consultation on electronic information technology; acquisition, processing and utilization of waste materials (other than that of hazardous waste, usable waste and scrapped vehicles overseas), sales of backlog materials; development, research, production and sales of new materials and high-tech products; medical and rehabilitation services, elderly care and healthcare services, health education (projects subject to approval according to laws and regulations can only be conducted after obtaining approval from the relevant authorities).



# Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

## I. COMPANY PROFILE (Continued)

### (II) Scope of the consolidated financial statements

As at 31 December 2020, subsidiaries included in the scope of the consolidated financial statements are set out as below:

Name of subsidiaries
IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司) (the "Hefei Photovoltaic")
IRICO Yan'an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司) (the "Yan'an New Energy")
Shaanxi IRICO Xinneng Glass Co., Ltd.* (陝西彩虹新能玻璃有限公司) (the "Shaanxi New Energy")

For details of the changes in scope of consolidation for the reporting period, please refer to "VI. Change in Scope of Consolidation".

For details of the subsidiaries of the Company, please refer to "VII. Interests in Other Entities" in the notes.

## II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### (I) Basis of preparation

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

### (II) Going concern

The financial statements have been prepared on a going concern basis.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, reflecting the Company’s consolidated financial position as at 31 December 2020, and consolidated operating results and cash flows for the year 2020 on a true and complete basis.

(II) Accounting period

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

(III) Operating cycle

The Company takes 12 months as its operating cycle.

(IV) Functional currency

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

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

Business combinations not under common control: The cost of combination is the assets paid, the liabilities incurred or committed and fair value of the equity securities issued by the acquirer for acquisition of control over the acquiree on the date of acquisition. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquirer in business combination, such difference shall be recognized as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss. Each of the identifiable assets, liabilities and contingent liabilities of the acquiree, which are acquired in the combination and meet the criteria for recognition, shall be measured at fair value on the date of acquisition.

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

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

##### 1. *Scope of consolidation*

The scope of consolidation of the consolidated financial statements is determined on the basis of control, and the scope of consolidation comprises the Company and all of its subsidiaries. Control refers to the power of a company over the investee, the rights to enjoy variable returns from its involvement in relevant activities of the investee, and the ability to use its power over the investee to affect the amount of its returns.

##### 2. *Consolidation procedures*

When preparing the consolidated financial statements, the Company considers the entire enterprise group as a single accounting entity and presents the overall financial position, operating results and cash flows of the enterprise group based on the consistent accounting policies. The impact of internal transactions between the Company and its subsidiaries, and among its subsidiaries, shall be offset. If internal transactions indicate impairment losses on relevant assets, such losses shall be recognized in full. Any inconsistent accounting policies and accounting period adopted by a subsidiary will be subject to necessary adjustments to align with those of the Company when preparing the consolidated financial statements.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

##### 2. Consolidation procedures (Continued)

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

##### (1) Addition of subsidiary or business

During the reporting period, if there is an addition of subsidiary or business due to business combination under common control, the operating results and cash flow of the subsidiary or business combination from the beginning of the period to the end of the reporting period will be included in the consolidated financial statements, and the amounts at the beginning of the period in the consolidated financial statements and relevant items in the comparative statements will also be adjusted as if the reporting entity after combination had been existing since the control of the ultimate controlling party started.

Where control over the investee under common control is obtained due to reasons such as increase in investments, for equity investment held before the control over the acquiree is obtained, profit or loss, other comprehensive income and other changes in net assets recognized from the later of the acquisition of the original equity interest and the date when the acquirer and the acquiree are placed under common control until the date of combination are offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

During the reporting period, if there is an addition of subsidiary or business due to business combination not under common control, it shall be included, from the date of purchase, in the consolidated financial statements based on the fair value of each of the identifiable assets, liabilities or contingent liabilities determined on the date of purchase.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

##### 2. Consolidation procedures (Continued)

###### (1) Addition of subsidiary or business (Continued)

Where control over the investee not under common control is obtained due to reasons such as increase in investments, for the equity interest of the acquiree held before the date of purchase, the Company remeasures the equity interest at its fair value as at the date of purchase, and any difference between the fair value and its book value will be accounted for as investment gains of the period. Other comprehensive income that will be reclassified into losses and profits and other changes in owners' equity under equity accounting with respect to the equity interest in the acquiree held before the date of purchase are transferred to investment gains of the period to which the date of purchase belongs.

###### (2) Disposal of subsidiary

###### ① General treatment for disposal

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company re-measures the remaining equity investment after the disposal at fair value as at the date on which control is lost. The difference between the sum of the consideration received from equity disposal and the fair value of the remaining equity interest and the sum of the net assets of the subsidiary proportionate to the original shareholding accumulated from the date of purchase or combination and goodwill is included in investment gains of the period during which the control is lost. Other comprehensive income that will be reclassified into losses and profits and other changes in owners' equity under equity accounting with respect to the equity investment in the original subsidiary are transferred to investment gains of the period during which the control is lost.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

##### 2. Consolidation procedures (Continued)

##### (2) Disposal of subsidiary (Continued)

##### ② Stepwise disposal of subsidiary

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

- i. these transactions are entered into simultaneously or after considering the effects of each other;
- ii. these transactions constitute a complete commercial result as a whole;
- iii. one transaction is conditional upon at least one of the other transactions;
- iv. one transaction is not economical on its own but is economical when considering together with other transactions.

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

##### 2. Consolidation procedures (Continued)

##### (3) Purchase of minority interests in subsidiary

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

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

For the difference between the consideration received from disposal and the net assets of the subsidiary that the Company is entitled to corresponding to the long-term equity investment disposed accumulated from the date of purchase or date of combination, share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

#### (VII) Classification of joint arrangements and accounting treatment

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

Joint operations represent the joint arrangement that a party to a joint arrangement has rights to the assets, and obligations for the liabilities, relating to such arrangement. The Company recognises the following items in relation to its share of benefits in joint operations:

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (VII) Classification of joint arrangements and accounting treatment (Continued)

- (5) the expenses incurred solely by the Company and those incurred by the joint operation on a pro-rata basis.

Please refer to Note “III. (XV) Long-term equity investments” for details on the equity method adopted by the Company on investment in joint ventures.

#### (VIII) Recognition standard for cash and cash equivalents

Cash represents the Company’s cash on hand and deposits that can be used readily for payments. Cash equivalents represent investments that satisfy four conditions, namely short-term, highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

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

##### 1. *Foreign currency transactions*

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

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

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

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

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



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments

One of the financial assets, financial liabilities or equity instruments is recognized when the Company becomes a party to the contract of the financial instruments.

##### 1. *Classification of financial instruments*

According to the business model of the Company for management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as financial assets measured at amortized cost, or financial assets measured at fair value through other comprehensive income, or other financial assets that are measured at fair value through current profit or loss.

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through current profit or loss as financial assets measured at amortized cost:

- the objective of the business model is to collect contractual cash flows;
- the contractual cash flows are solely payment of the principal and the interest based on the outstanding principal amount.

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through current profit or loss as financial assets (debt instruments) measured at fair value through other comprehensive income:

- the objective of the business model for managing such financial assets is both to collect contractual cash flows and to dispose of the financial assets;
- the contractual cash flows are solely payment of the principal and the interest based on the outstanding principal amount.

For an investment in equity instruments not held for trading purposes, the Company may irrevocably designate it as financial assets (debt instruments) measured at fair value through other comprehensive income at the initial recognition. This designation is made on an investment-by-investment basis and the relevant investment meets the definition of equity instrument from the perspective of the issuer.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments (Continued)

##### 1. *Classification of financial instruments (Continued)*

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through current profit or loss.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through current profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments (Continued)

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

###### (1) Financial assets measured at amortized cost

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

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

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

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

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments (Continued)

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments (Continued)

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

###### (6) Financial liabilities measured at amortized cost

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

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

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

##### 3. *Derecognition of financial assets and financial asset transfers*

The Company derecognize a financial asset if it meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire;
- the financial asset has been transferred, and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee;
- the financial asset has been transferred, and the Company neither transferred nor retained substantially all rewards related to the ownership of the financial assets, but did not retain its control over the said financial assets.

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

When judging whether the transfer of a financial asset meets the above criteria for derecognition, the substance-over-form principle shall be applied.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments (Continued)

##### 3. *Derecognition of financial assets and financial asset transfers (Continued)*

The Company differentiates the transfer of a financial asset as full transfer or partial transfer. If the full transfer of a financial asset meets the criteria for derecognition, then the difference between the following two included in current profit or loss:

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

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

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments (Continued)

##### 4. *Derecognition of financial liabilities*

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

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

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

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

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments (Continued)

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

The Company estimates financial assets measured at amortized cost by way of single or combination, or the expected credit losses of financial assets (debt instruments) measured at fair value through other comprehensive income and the financial guarantee contract, etc.

The probability-weighted amount of the difference in present value between the contractual cash flow of receivable from contracts and the cash flow expected to be received, weighted with the risk of default, will be measured by taking into account of reasonable and valid information on, among other things, past events, current status and the forecast of future economic conditions to recognize the expected credit losses.

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

In determining changes in the risk of default during the expected lifetime of a financial instrument and assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition. Usually, if it is overdue for more than 30 days, the Company will consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove that the credit risk on a financial instrument has not increased significantly since initial recognition.

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

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



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) Financial Instruments (Continued)

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

For trade receivables and contractual asset formed by the transactions regulated in the Accounting Standards for Business Enterprises No.14-Revenue (2017) whether contain significant financing components or otherwise, the Company always measures the loss provision at the lifetime expected credit loss.

For lease receivables, the Company chooses to always measures the loss provisions at the lifetime expected credit loss.

Where the Company no longer reasonably expects contractual cash flows of a financial asset to be fully or partially recoverable, the book balance of the financial asset is directly written down.

#### (XI) IMPAIRMENT OF RECEIVABLES

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

##### 1. *Accounts receivable and bills receivable*

For accounts receivable and bills receivable, whether it contains significant financing components, the company always measures its loss provisions in accordance with the amount of expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XI) IMPAIRMENT OF RECEIVABLES (Continued)

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

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

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

#### The reason of choosing the portfolio

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

#### The method of accruing bad debt provision on portfolio

The portfolio of bills	Other method
The portfolio of aging	Accruing bad debt provision based on aging analysis method
The portfolio of related parties	Other method
The portfolio of deposit, guarantees and reserves	Other method

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XI) IMPAIRMENT OF RECEIVABLES (Continued)

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

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

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

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

##### 2. *Receivables financing*

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XI) IMPAIRMENT OF RECEIVABLES (Continued)

##### 2. *Receivables financing (Continued)*

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

##### 3. *Other receivables*

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

##### 4. *Others*

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

#### (XII) Inventories

##### 1. *Classification and costs for inventories*

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

##### 2. *Measurement for inventories delivered*

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XII) Inventories (Continued)

#### 3. *Basis for the determination of net realisable value of different type of inventories*

On the balance sheet date, inventories are stated at the lower of cost and net realisable value. When the cost of inventories was higher than their net realisable value, the provision decline in value of inventories shall be made. Net realisable value is the estimated selling price of the inventories in the ordinary course of business deducting the estimated costs upon completion, the estimated selling expenses and the related taxes.

Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling prices less related selling costs and taxes; the net realizable value of inventory materials, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling costs and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the excess part shall be calculated on the ground of general selling price.

After the provision decline in value of inventories, if the factors resulting in the previously recorded inventory impairment disappeared, as a result of which the net realisable value of the inventories became higher than its book value, it would be written back to the extent of the original provision decline in value of inventories made, and such written-back amounts would be charged to the current profit or loss.

#### 4. *Inventory system*

The perpetual inventory system is adopted.

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XIII) Contract assets

##### 1. *Recognition and standard of contract assets*

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is listed as a contract assets. Contract assets and contract liabilities under the same contract shall be shown on a net basis. The right of the Company to charge the customer unconditionally (only depends on the passage of time) is listed as a receivable individually.

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

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

#### (XIV) Assets classified as held-for-sale

A non-current asset or disposal group is classified as asset held-for-sale when the book amount of the asset is recovered principally through a disposal (including an exchange of non-monetary assets with commercial substance) rather than through continuing use.

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

- (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions;

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XIV) Assets classified as held-for-sale (Continued)

- (2) The assets are highly likely to be sold, namely, the Company has been offered a resolution with one disposition of the assets and obtained a firm purchase commitment and the disposition will be completed within 1 year. If regulation needs to be approved by the relevant authorities or supervision department of the Company, such approval has been obtained.

When non-current asset (excluding financial asset, deferred income tax asset and asset formed by employee benefits) or disposal group which are classified as held-for-sale, if the book value of the non-current asset or disposal group is higher than the net amount after deducting the disposal cost from its fair value, the book value is reduced to the net amount after deducting the disposal cost from its fair value. The reduced amount is recognized as an asset impairment loss and accounted for as profit and loss for the current period, with provision for impairment loss on held-for-sale assets.

#### (XV) Long-term equity investments

##### 1. *Joint control or significant influence criterion*

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XV) Long-term equity investments (Continued)

##### 2. *Determination of initial investment cost*

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

For a long-term equity investment in subsidiaries resulting from a business combination involving entities under common control, the initial investment cost of long-term equity investments are its share of the book value of the own' equity of the acquiree in the financial statements of the ultimate controlling party on the date of combinations. The difference between initial investment cost of long-term equity investment and the carrying value of paid consideration is to adjust share premium in the capital reserve. If the balance of share premium in the capital reserve is insufficient, any excess is adjusted to retained earnings. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons the difference between initial investment cost of long-term equity investment according to the aforesaid principle, and the sum of the carrying value of long-term equity investment before combination and the carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For a long-term equity investment in subsidiaries resulting from a business combination involving entities not under common control, the cost of the combination determined on the date of acquisition shall be taken as the initial investment cost of the long-term equity investment. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost shall be the sum of the carrying value of the equity investment originally held and the newly increased investment cost.

###### (2) Long-term equity investments acquired by other means other than business combination

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

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



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XV) Long-term equity investments (Continued)

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

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

Long-term equity investments in subsidiaries are accounted for using cost method unless the investments meet the conditions of held-for-sale. Except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognized as the Company's share of the cash dividends or profits declared by the investee.

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

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

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

The Company's share of net profit or loss, other comprehensive income and Other Changes of Owner's Equity of an investee is determined based on the fair value of identifiable assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Company, recognition shall be made to the net profit of the investee after the adjustment and other comprehensive income, etc.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XV) Long-term equity investments (Continued)

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

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

The unrealized profit or loss resulting from transactions between the Company and its associates or joint ventures shall be eliminated in, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized, except for the disposal of assets that consist of operations.

The Company discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Company's net investment in the associate or the joint venture is reduced to zero, except to the extent that the Company has an obligation to assume additional losses. Where net profits are subsequently made by the associate or joint venture, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds received should be charged to current profit or loss.

For the certain long-term equity investment treated under the equity method, where the remaining equity continues to be accounted for using the equity method, the other comprehensive income previously recognised under the equity method shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Other Changes of Owner's Equity shall be transferred in proportion into current profit or loss.

When the Group loses the control or material influence over the investee due to disposal of equity investment and other reasons, for other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. Other Changes of Owner's Equity shall be transferred into the current profit or loss when ceasing to use the equity method.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XV) Long-term equity investments (Continued)

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

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

When the Group loses the control over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest after disposal shall be accounted for under equity method in preparation of separate financial statements provided that joint control or material influence over the investee can be imposed and shall be adjusted as if such remaining equity interest had been accounted for under the equity method since being obtained. The other comprehensive income previously recognized before obtaining the control over the investee shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Changes in other owner's equity recognized as a result of the adoption of the equity method shall be transferred to the current profit or loss on pro rata basis. Where the remaining equity interest after disposal cannot exercise joint control or exert material influence over the investee, it shall be recognised as financial asset, and the difference between fair value and the carrying value on the date of losing control shall be included in current profit or loss. All the other comprehensive income and Other Changes of Owner's equity recognised before obtaining the control over the investee shall be transferred.

For disposal of the equity investment in a subsidiary in stages by multiple transactions resulting in the loss of control, where the Company accounts for a package deals, accounting treatment shall be conducted for all transactions as the equity investment for disposal of a subsidiary and the transaction in the loss of control. In the individual consolidated financial statements, the differences between the consideration disposed and the corresponding carrying value of long-term equity investment of the disposed equity in each transaction prior to the loss of control shall be recognised in other comprehensive income first and transferred to the current profit or loss when the parent eventually loses control over the subsidiary. Where the Company doesn't account for a package deals, accounting treatment shall be conducted for each transaction individually.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XVI) Investment property

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

The Company's existing investment property is measured at cost. The subsequent expenses related to the investment property shall be included in the cost of the investment property, if the related economic benefits are likely to flow into the enterprise, and the cost can be reliably measured. Otherwise, they should be included in the current profit and loss upon occurrence. Investment property measured at cost – buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

#### (XVII) Fixed assets

##### 1. *Conditions for recognition of fixed assets*

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

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

Fixed assets are initially measured at cost (and taking into account the effect of estimated costs of disposal).

For subsequent expenses related to fixed assets, if the related economic benefits are likely to flow into the enterprise and its cost could be reliably measured, such expenses are included in the cost of the fixed asset; and the carrying amount of the replaced part will be derecognized. All other subsequent expenses are included in current profit or loss upon occurrence.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XVII) Fixed assets (Continued)

##### 2. Methods for depreciation

Fixed assets of the Company are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. For fixed assets that have made provision for the impairment, the amount of depreciation of it is determined by carrying value after deducting the provision for the impairment based on useful life during the future period. Where different components of a fixed asset have different useful lives or generate economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each component is depreciated separately.

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

Category	Depreciation methods	Useful life (Years)	Residual value rate (%)	Annual depreciation rate (%)
Plant and buildings	Straight-line method	10-30	3	3.23-9.70
Machinery and equipment	Straight-line method	18	3	5.40
Electronic equipment	Straight-line method	15	3	6.50
Office equipment	Straight-line method	5	3	19.40
Transportation tools	Straight-line method	5	3	19.40
Specialized glass equipment	Straight-line method	6	3	16.20

##### 3. Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from using or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in current profit or loss.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XVIII) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

#### (XIX) Borrowing costs

##### 1. *Criteria for recognition of capitalised borrowing costs*

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

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

##### 2. *Capitalisation period of borrowing costs*

The capitalisation period refers to the period beginning from the commencement of capitalising borrowing costs to the date of ceasing capitalisation, excluding the period of suspension of capitalisation.

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

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XIX) Borrowing costs (Continued)

##### 3. *Suspension of capitalisation period*

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

##### 4. *Capitalisation rate and calculation of capitalisation amount of borrowing costs*

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

As to general borrowings for the acquisition, construction or production of qualifying assets, the to-be-capitalized amount of borrowing costs on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specific borrowings and the capitalisation rate of the said general borrowings. The capitalization rate shall be calculated and determined according to the weighted average actual interest rate of general borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are included in the current profits and losses when incurred.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XX) Intangible assets

##### 1. Measurement of intangible assets

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

The costs of an externally purchased intangible asset include the purchase price, relevant tax expenses, and other expenditures directly attributable to bringing the asset ready for its intended use.

- (2) Subsequent measurement

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

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

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

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

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

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



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XX) Intangible assets (Continued)

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

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

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

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

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

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

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

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 for sale;
- (2) the intention to complete the intangible asset for use or for sale;

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XX) Intangible assets (Continued)

##### 5. *Specific conditions for capitalisation of expenditure incurred in development phase (Continued)*

- (3) the ways in which the intangible asset generate economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market, or if the intangible asset is for internal use, there is evidence that proves its usefulness;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) the expenditures attributable to the development phase of the intangible asset could be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, all of which should be included in the current profit or loss.

#### (XXI) Impairment of long-term assets

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

Goodwill formed by business merger, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are tested for impairment at least at the end of each year regardless of whether there is any sign of impairment.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXI) Impairment of long-term assets (Continued)

When the Company performs impairment test on goodwill, the Company shall, as of the purchase day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the set of asset groups. The related asset groups or the set of asset groups refers to these ones that can benefit from the synergies of a business combination.

For the purpose of impairment test on the relevant asset groups or the set of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or set of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or set of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then, the Company will conduct impairment tests on the asset groups or set of asset groups that includes goodwill and compare its carrying value against its recoverable amount. If the recoverable amount is lower than its carrying value, the amount of impairment loss is first offset against the carrying value of the goodwill allocated to the asset groups or set of asset groups, then, based on the proportion of the carrying value of other assets in the asset groups or set of asset groups other than goodwill, offset against the carrying value of other assets proportionally. Once the above asset impairment loss is recognized, it will not be reversed in subsequent accounting periods.

#### (XXII) Long-term deferred expenses

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods.

#### (XXIII) Contract liabilities

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXIV) Employee benefits

##### 1. *Accounting treatment methods of short-term benefits*

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

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

At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-currency welfare expenses are measured at fair value.

##### 2. *Accounting treatment methods of post-employment benefits*

###### (1) Defined contribution scheme

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

###### (2) Defined benefit scheme

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXIV) Employee benefits (Continued)

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

###### (2) Defined benefit scheme (Continued)

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

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

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

##### 3. *Accounting treatment of termination benefits*

When the Company provides employees with termination benefits, the staff remuneration liabilities arising from termination benefits are recognized and recorded in current profit or loss whichever of the following is earlier: when the Company cannot unilaterally revoke such termination benefits provided due to dissolution of labour relationship plan or layoff proposal; when the Company recognizes such cost or expenses associated with the restructuring involving the payment of termination benefits.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXV) Estimated liabilities

The Company shall recognize it as the estimated liability, when all of the following conditions are satisfied:

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

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

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

If there is a successive range of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the intermediate value. In other cases, the best estimate are handled as follows:

- Where the contingency is related to individual item, the best estimate should be determined as the most likely amount;
- Where the contingency is related to a number of items, the best estimate should be calculated and determined according to the various possible results and the relevant probabilities.

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

The Company reviews the carrying amount of estimated liabilities on balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXVI) Share-based payments

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

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

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is, on grant date, recognised as relevant cost or expenses with a corresponding increase in capital reserve. If the equity instruments granted to employees do not vest until the completion of services for a vesting period, or until the achievement of specified performance conditions, the Company, on each balance sheet date during the vesting period, according to the best estimate of the number of feasible equity instruments, includes the services received in the current period into the relevant cost or expense on the basis of the fair value on the date of grant, with a corresponding increase in capital reserve.

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

During the vesting period, where the granted equity instrument is cancelled, the Company shall accelerate the exercise of rights thereunder, recognizing the outstanding amount for the remainder of the vesting period in profit or loss, while recognizing capital reserve. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to cancelled equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument with the same terms and conditions.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXVI) Share-based payments (Continued)

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

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. If the equity instruments granted to employees vest immediately, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the equity instruments granted to employees do not vest until the completion of services for a vesting period, or until the specified performance conditions are met, at each balance sheet date during the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured and the changes will be included in the profit or loss for the current period.

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

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

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

- (1) there are contractual obligations performed by the delivery of cash or other financial assets that the Company cannot unconditionally avoid;
- (2) there are contractual obligations that include the delivery of a variable number of own equity instruments for settlement;
- (3) there are derivatives that are settled with their own equity (such as conversion rights), and the derivatives are not settled with a fixed amount of their own equity instruments for a fixed amount of cash or other financial assets for settlement;



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

- (4) there are contractual clauses that indirectly form contractual obligations;
- (5) when the issuer liquidates, the perpetual bonds are in the same liquidate order as the ordinary bonds and other debts issued by the issuer.

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

(XXVIII) Revenue

#### 1. *General principles for revenue recognition*

The Company recognizes revenue when the performance obligation in a contract is fulfilled, namely the customer obtains control of relevant goods or services. Control of a good or service refers to the ability to direct the use of the good or service, and obtain substantially all of the benefits from the goods or services.

If a contract contains two or more performance obligations, at the commencement of the contract, the Company allocates the transaction price into each individual performance obligation according to the relative proportion of each individual selling price of goods or services committed by individual performance obligation, and recognizes the revenue according to the transaction price allocated to each individual performance obligation.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXVIII) Revenue (Continued)

##### 1. *General principles for revenue recognition (Continued)*

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer. The Company considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Company considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer. The Company determines the transaction price that includes variable considerations based on the amount not exceeding the revenue accumulatively recognized which is not likely to be significantly reversed when the relevant uncertainty disappears. Where there are significant financing elements in the contract, the Company recognizes the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the amount of contract consideration is amortised using an effective interest method over the contract term.

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXVIII) Revenue (Continued)

##### 1. *General principles for revenue recognition (Continued)*

Where performance of a single service contract takes place over a certain period of time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined. The Company considers the nature of the goods or services and adopts the output method or the input method to determine the fulfillment progress of the performance. When the fulfillment progress of the performance cannot be determined reasonably, but is expected to recover the costs incurred, the Company should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

For a performance obligation satisfied at a point in time, the Company shall recognize revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of promised goods or services, the Company considers the following indications:

- the Company enjoys the right to collect cash on the goods or services, that is, the customer has the obligation to pay for the goods or services at the present time.
- the Company has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity.
- the Company has transferred the goods in kind to the customers, that is, the customers have actually taken possession of the goods.
- the Company has transferred the main risks and rewards in the ownership of the commodity to its customers, that is, the customers have acquired the main risks and rewards in the ownership of the commodity.
- the customer has accepted the goods.

##### 2. *Specific principles for revenue recognition*

The Company recognizes revenue at the point in time when the performance obligation in a contract is fulfilled, namely when the customer obtains control over the relevant goods or services. (1) Revenue recognition for domestic sales: sales revenue is recognized after the Company ships and delivers the products to the customer and the customer accepts the products; (2) Revenue recognition for export sales: the revenue is recognized in the month of bill of lading when the declaration is completed, the customs form and bill of lading are obtained after shipment.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXIX) Contract costs

Contract costs comprise contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract which does not fall under the scope of the standards relating to inventories, fixed assets and intangible assets are recognized as an asset as contract performance costs when the following conditions are met:

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

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

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

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

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

If the above-mentioned excess is higher than the book value of such assets as a result of any subsequent change of impairment factors in the previous period, the provision for impairment of assets previously made shall be reversed and included in profit or loss for the period as incurred to the extent the book value of the reversed asset shall not exceed the book value of the asset on the date of the reverse assuming no provision for impairment is made.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXX) Government grants

##### 1. *Types*

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

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

##### 2. *Timing for recognition*

Government grants are recognised when the Company can comply with the conditions attached to it and when it can be received.

##### 3. *Accounting treatment*

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXX) Government grants (Continued)

##### 3. Accounting treatment (Continued)

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

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

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

Income tax comprises current and deferred income tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Deferred tax assets and deferred tax liabilities are recognized based on the temporary differences between the tax bases and the carrying amount of assets and liabilities.

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

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

The exceptions for not recognition of deferred income tax assets and liabilities include:

- the initial recognition of the goodwill;
- other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Company 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. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rates during the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled in accordance with the provisions of the tax law.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXII) Lease

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

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

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

#### 1. *The Company as a lessee*

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

At the commencement date of lease term, the Company recognizes right-of-use assets for leases (excluding short-term leases and leases of low-value assets). Right-of-use assets are measured initially at cost. Such cost comprises:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive);
- initial direct costs incurred by the Company;
- the costs of the Company expected to be incurred for dismantling and removing the leased asset, restoring the site on which the leased asset is located or restoring it to the condition as agreed in the terms of the lease, except those incurred for the production of inventories.

The Company accrues depreciation for the right-of-use assets with refer to the relevant depreciation policy of the note "III. (XVII) Fixed assets". If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset; otherwise, the Company depreciates the leased asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXII) Lease (Continued)

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

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

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in the note “III. (XXI)—Impairment of long-term assets” and conducts accounting treatment for impairment loss identified.

###### (2) Lease liabilities

At the commencement date of lease term, the Company recognizes lease liabilities for leases (excluding short-term leases and leases of low-value assets). Lease liabilities are initially measured based on the present value of outstanding lease payment. Lease payment include:

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

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

The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into profit or loss in the period or cost of relevant assets.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXII) Lease (Continued)

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

##### (2) Lease liabilities (Continued)

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

After the commencement date of lease term, if the following circumstances occur, the Company re-measures the lease liability and adjusts the carrying value of the right-of-use asset accordingly. If the carrying value of the right-of-use asset has been reduced to zero, the lease liability still needs to be further reduced. The Company accounts for the difference in the current profit or loss:

- when the assessment results of the purchase, extension or termination option or the actual exercise condition changes, the Company remeasures the lease liabilities in accordance with the lease payments after changes and the present value calculated using the revised discount rate;
- when in-substance fixed payments, the amount expected to be payable under the guaranteed residual value or the index or rate arising from the confirmation of lease payments changed, the Company remeasures the lease liabilities in accordance with the lease payments after changes and the present value calculated using the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.

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

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXII) Lease (Continued)

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

##### (4) Lease change

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

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

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

If the lease change results in a narrower lease or a shorter lease term, the Company reduces the carrying value of the right-of-use asset accordingly, and recognises the related gains or losses that partially terminate or completely terminate the leases into the current profit and loss. For other lease change that cause the lease liabilities to be remeasured, the Company adjusts the carrying value of the right-of-use assets accordingly.

##### 2. *The Company as a lessor*

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXII) Lease (Continued)

##### 2. The Company as a lessor (Continued)

###### (1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognized as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases to be incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the lease term. The variable lease payments not included in the measurement of lease payments shall be recognized in profit or loss in the period in which they are occurred.

###### (2) Accounting treatment of financing leases

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

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

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

When a financial lease is changed and the following conditions are simultaneously met, the Company accounts for the lease change as a separate lease:

- The change expands the scope of lease by adding the right to use one or more leased assets;
- The consideration and the separate price of the expanded scope of lease are equivalent to the amount adjusted according to the contract.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

#### 2. *The Company as a lessor (Continued)*

##### (2) Accounting treatment of financing leases (Continued)

Where a change in a financial lease is not accounted for as a separate lease, the Company deals with the lease after the change according to the following situation:

- In case where the lease would have been classified as an operating lease assuming the modification became effective at the commencement date of the lease, the Company accounts for it as a new lease from the effective date of the modification and the net investment in the lease prior to the effective date of the modification is taken as the carrying amount of the leased assets;
- In case where the lease would have been classified as a finance lease assuming the modification became effective at the commencement date of the lease, the Company conducts accounting treatment in accordance with the policy regarding the modification or renegotiation of contracts described in this note “III. (X)–Financial instruments”.

#### 3. *After-sale and leaseback transactions*

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

##### (1) As a lessee

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

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXII) Lease (Continued)

##### 3. After-sale and leaseback transactions (Continued)

###### (2) As a lessor

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

#### (XXXIII) Discontinued operations

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale, and meets any of the following criteria:

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

The profits or losses from continuing operations and discontinued operations are presented in the income statement, respectively. The profits or losses from discontinued operations such as impairment losses and reversed amounts, and the profits or losses of disposal shall be presented as the profits or losses from discontinued operations. For discontinued operations presented in the current period, the information originally presented as the profits or losses from continuing operations in the current financial statements shall be presented as the profits or losses from discontinued operations during comparable accounting periods again.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXIV) Asset backed securities

The Company securitizes part of the accounts receivables and sells it to a special purpose entity, which then issues securities to investors. The transfer of these financial assets meets the conditions for derecognition. For the prerequisites for derecognition of financial assets, please refer to the aforementioned financial asset transfer. During the transfer process, the Company does not retain the rights and interests of the transferred financial assets and only provides collection services in accordance with the agreement. During the securitization process, the difference between the book value of the derecognized financial assets and its consideration is recognized as a securitization gain or loss and included in the current profit and loss.

#### (XXXV) Hedge accounting

##### 1. *Classification of hedging*

- (1) A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (except foreign exchange risk).
- (2) Cash flow hedges is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.
- (3) Hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. Net investment in a foreign operation is the share of interest in the net asset of the foreign operation.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) Hedge accounting (Continued)

2. *Designation of the hedge relationship and recognition of the effectiveness of hedging*

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the nature and quantity of the hedging instrument, the nature and quantity of the hedged item, the nature of the risk being hedged, the type of hedging and how the Company will assess the hedging instrument's effectiveness. Hedging instrument's effectiveness means the degree of the change of fair value and cash flow of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

The hedge is assessed by the Company for effectiveness on an ongoing basis and judged whether it meets the requirements for the effectiveness of using hedge accounting throughout the accounting periods for which the hedging relationship was designated. Provided the discontent of the requirements, the application of a hedge shall be terminated.

The application of hedge accounting shall meet the requirements on the effectiveness of the hedge:

- (1) There is an economic relationship between the hedged item and the hedging instrument.
- (2) The effect of credit risk does not dominate the value changes that result from that economic relationship.
- (3) The appropriate hedge ratio will not cause the imbalance of relative weight between the hedged item and the hedging instrument, thus generating accounting results inconsistent with the hedge accounting objectives. If the hedge ratio is no longer inappropriate, but the hedge risk management objectives do not change, the amount of the hedged item and the hedging instrument shall be adjusted, so that the hedge ratio can re-meet the requirements on the effectiveness.



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) Hedge accounting (Continued)

#### 3. *The criteria for hedge accounting*

##### (1) Fair value hedges

The change in the fair value of a hedging derivative is recognized in the current profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognized in the current profit or loss.

For fair value hedges relating to financial instruments carried at amortized cost, the adjustment to carrying value is amortized through the current profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to the current profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the current profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the current profit or loss. The changes in the fair value of the hedging instrument are also recognized in the current profit or loss.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) Hedge accounting (Continued)

#### 3. *The criteria for hedge accounting (Continued)*

##### (2) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while the ineffective portion is recognized immediately in the current profit or loss.

Amounts taken to other comprehensive income are transferred to the profit or loss when the hedged transaction affects the current profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability (or originally recognized in other comprehensive income, and transferred in the same period as the profit and loss is affected by the non-financial assets and non financial debts, the amounts shall be included in the current profit or loss).

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognized in other comprehensive income are transferred to the current profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in there until the forecast transaction or firm commitment affects the current profit or loss. (3) Hedges of a net investment in a foreign operation.

##### (3) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the current profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the current profit or loss.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXVI) Segment reporting

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

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

#### (XXXVII) Changes in significant accounting policies and accounting estimates

##### 1. *Changes in significant accounting policies*

- (1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 13

On 10 December 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 13 (Cai Kuai [2019] No. 21, hereinafter referred to as "Interpretation No. 13") which will be effective on 1 January 2020, and retroactive adjustments will not be required.

##### ① Identification of related parties

Interpretation No. 13 makes it clear that the following circumstances constitute the related parties: joint ventures or associates of an enterprise and other members of its enterprise group (including the parent company and subsidiaries); an enterprise's joint ventures and an enterprise's other joint ventures or associates. In addition, the Interpretation No. 13 also makes it clear that only two parties or more that are significantly affected by one party do not constitute the related parties, and adds that the associates include the associates and their subsidiaries, and the joint venture includes the joint venture and its subsidiaries.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXXVII) Changes in significant accounting policies and accounting estimates (Continued)

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

###### (1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 13 (Continued)

###### ② Definition of business

Interpretation No. 13 perfects the three elements of business composition, refines the judgment conditions that make up the business, and introduces the “concentration test” option to simplify the judgment of whether the acquisition of a combination under non-identical control constitutes the business to a certain extent.

The Company has implemented Interpretation No. 13 since 1 January 2020, without adjustment to the comparative financial statements, and the Implementation of Interpretation No. 13 didn't have a material impact on the Company's financial position and operating results.

###### (2) Implementation of the Accounting Treatment Provisions on Rent Concessions related to the COVID-19

On 19 June 2020, the Ministry of Finance issued the Accounting Treatment Provisions on Rent Concessions related to the COVID-19 (Cai Kuai [2020] No. 10), which will come into effect on 19 June 2020, allowing enterprises to adjust the relevant rent concessions that occurred between 1 January 2020 and the date of effect of the provision. According to the provision, enterprises can choose to use simplified methods for accounting treatment for rent reductions, delay in payment and other rent concessions directly caused by the COVID-19.

The Company chooses to adopt simplified methods for accounting treatment for all rent concessions that fall within the scope of the provision, and make corresponding adjustments to relevant rent concessions that occurred from 1 January 2020 to the effective date of this provision in accordance with this provision. The implementation of the provision didn't have a material impact on the Company's financial position and operating results.

##### 2. Changes in significant accounting estimates

No significant changes to accounting estimates occurred during the reporting period.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### IV. TAXATION

#### (I) Major tax categories and tax rates

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

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

Taxpayer	Income tax rate
IRICO Group New Energy Company Limited. (彩虹集團新能源股份有限公司) (parent company)	15%
IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司)	15%
IRICO Yan'an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司)	15%
Shaanxi IRICO Xinneng Glass Co., Ltd.* (陝西彩虹新能玻璃有限公司)	25%

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### IV. TAXATION (Continued)

#### (II) Preferential tax treatment

1. Pursuant to the “Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy” (Cai Shui [2011] No. 58) (《關於深入實施西部大開發戰略有關稅收政策問題的通知》(財稅[2011]58號)), as the Company pertains to enterprises engaged in the industries encouraged by the government in the western region, it is entitled to relevant western development preferential policies upon filing with the tax branch directly under the Xianyang Municipal Office, SAT, and therefore enjoys the preferential EIT rate of 15% for the year.
2. Hefei Photovoltaic, a subsidiary of the Company, was accredited as a High and New Technology Enterprise (Certificate No. GR201834000268) as approved by the Science and Technology Department of Anhui Province, and the Department of Finance of Anhui Province, Anhui Provincial Tax Service of the State Taxation Administration on 24 July 2018, and has been entitled to a 15% preferential tax treatment for EIT.
3. As the income from power generation of Hefei Photovoltaic, a subsidiary of the Company, applies to preferential policy of three years’ exemption from EIT followed by three years of 50% tax reduction. As stipulated under Clause 88 of the “Implementation Rules of the Enterprise Income Tax Law of the People’s Republic of China (No.512 Decree of the State Council of the People’s Republic of China)” (《中華人民共和國企業所得稅法實施條例》(中華人民共和國國務院令512號)), qualified environmental protection, energy and water saving projects mentioned in Article 27(3) of the Enterprise Income Tax Law include public sewage treatment, public refuse disposal, comprehensive development and utilization of biogas, technological upgrade of energy saving and remission reduction, seawater desalination, etc. Enterprises engaged in the abovementioned qualified environmental protection, energy and water conservation projects, shall be exempted from entire EIT on income derived therefrom for the first to third years, and entitled to a 50% tax reduction from the fourth to sixth years, commencing from the assessable year during which relevant projects start to generate manufacturing or operating revenue. During the reporting period, Hefei Photovoltaic was in the halving phase.
4. According to the Guidance Catalogue on Adjustments to Industrial Institutions by [2019] No. 29 Order of the National Development and Reform Commission (2019 Version) (國家發展和改革委員會令第[2019]29號《產業機構調整指導目錄(2019年本)》), as Yan’an New Energy, a subsidiary of the Company, pertains to enterprises engaged in the industries encouraged by the government in the western region, it is entitled to relevant western development preferential policies upon filing with the tax branch directly under the Yan’an Municipal Office, SAT, and therefore Yan’an New Energy enjoys the preferential EIT rate of 15% for the year.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### (I) Monetary funds

Item	Closing balance	Balance at the end of last year
Cash on hand		9,631.61
Bank deposit	393,620,122.10	163,376,930.76
Other monetary funds	324,289,147.90	242,061,659.77
<b>Total</b>	<b>717,909,270.00</b>	<b>405,448,222.14</b>
Of which: Total deposits in overseas banks		18,525.63

#### Restricted Monetary funds:

Item	Closing balance	Balance at the end of last year
Security deposit for bank acceptance bills	280,789,147.90	242,061,659.77
Pledged certificates of deposit	40,000,000.00	
Security deposit for letter of credit	3,500,000.00	
Frozen bank deposits in litigation	124,030.12	
<b>Total</b>	<b>324,413,178.02</b>	<b>242,061,659.77</b>

#### (II) Financial assets held for trading

Item	Closing balance	Balance at the end of last year
Classified as financial assets measured at fair value through profit and loss	335,160.70	2,863,047.11
Including: investment in equity instruments	335,160.70	493,047.11
CSC-China Electronics third tranches of accounts receivable assets support for planned secondary income right		2,370,000.00
<b>Total</b>	<b>335,160.70</b>	<b>2,863,047.11</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (III) Bills receivable

##### 1. Bills receivables by category

Item	Closing balance	Balance at the end of last year
Bank acceptance bills		
Commercial acceptance bills		1,990,378.52
Total		1,990,378.52

#### (IV) Accounts receivable

##### 1. Accounts receivable shown by aging

Aging	Closing balance	Balance at the end of last year
Within 1 year		
Including: 0–6 months (inclusive)	214,299,389.15	329,112,337.41
7–12 months (inclusive)	11,167,615.05	91,227,636.91
Subtotal of within 1 year	225,467,004.20	420,339,974.32
1–2 years (inclusive)	12,896,552.25	39,405,327.52
2–3 years (inclusive)		8,096,050.04
Over 3 years	16,139,908.53	26,144,065.25
Subtotal	254,503,464.98	493,985,417.13
Less: provision for bad debts	16,697,661.51	44,966,218.37
Total	237,805,803.47	449,019,198.76



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

##### 2. Accounts receivables disclosed according to provision for bad debts

Category	Closing balance					Balance at the end of last year				
	Book balance		Allowance for bad debts			Book balance		Allowance for bad debts		
	Amount	Proportion (%)	Amount	proportion (%)	Carrying amount	Amount	Proportion (%)	Amount	proportion (%)	Carrying amount
Allowance for bad debts is made based on individual basis	4,109,957.00	1.61			4,109,957.00	36,555,831.56	7.40	13,463,737.69	36.83	23,092,093.87
Allowance for bad debts is made on group basis	250,393,507.98	98.39	16,697,661.51	6.67	233,695,846.47	457,429,585.57	92.60	31,502,480.68	6.89	425,927,104.89
Including: By aging	237,498,135.57	93.32	16,697,661.51	7.03	220,800,474.06	445,493,561.82	90.18	31,502,480.68	7.07	413,991,081.14
By related parties	12,895,372.41	5.07			12,895,372.41	11,936,023.75	2.42			11,936,023.75
<b>Total</b>	<b>254,503,464.98</b>	<b>100.00</b>	<b>16,697,661.51</b>		<b>237,805,803.47</b>	<b>493,985,417.13</b>	<b>100.00</b>	<b>44,966,218.37</b>		<b>449,019,198.76</b>

Allowance for bad debts made on individual basis:

Name	Book balance	Closing balance		Reasons for making allowance
		Allowance for bad debts	Appropriation proportion (%)	
Baoding Lightway Green Energy Technology Co., Ltd. (保定光為綠色能源科技有限公司)	4,109,957.00			Expected to be recoverable
<b>Total</b>	<b>4,109,957.00</b>			

Note: Baoding Lightway Green Energy Technology Co., Ltd. (保定光為綠色能源科技有限公司) will purchase three properties from Baoding Linghe Real Estate Development Co. Ltd. (保定領和房地產開發有限公司) to repay the debts, and the properties are under construction.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

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

Allowance for bad debts made on group basis:

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

Name	Book balance	Closing balance Allowance for bad debts	Appropriation proportion (%)
0 to 6 months (inclusive)	219,499,050.44		
7 to 12 months (inclusive)			
1 to 2 years (inclusive)	1,859,176.60	557,752.98	30.00
2 to 3 years (inclusive)			
Over 3 years	16,139,908.53	16,139,908.53	100.00
<b>Total</b>	<b>237,498,135.57</b>	<b>16,697,661.51</b>	

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

Name	Accounts receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
By related parties	12,895,372.41		
<b>Total</b>	<b>12,895,372.41</b>		

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

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

Type	Balance at the end of last year	Made	Changes during the period		Other decreases	Closing balance
			Recovered or reversed	Charged off or written off		
Single item of bad debt provision	13,463,737.69		364,979.66	4,439,447.85	8,659,310.18	
Receivables with provision for bad debts based on credit risk characteristics	31,502,480.68	1,532,124.66	5,754,872.97	1,438,860.89	9,143,209.97	16,697,661.51
Including: by aging by related parties	31,502,480.68	1,532,124.66	5,754,872.97	1,438,860.89	9,143,209.97	16,697,661.51
<b>Total</b>	<b>44,966,218.37</b>	<b>1,532,124.66</b>	<b>6,119,852.63</b>	<b>5,878,308.74</b>	<b>17,802,520.15</b>	<b>16,697,661.51</b>

*Note:* 1. Other decreases were due to the transfer of equity interests in three companies, namely Shaanxi IRICO New Material Co., Ltd.\* (“IRICO New Material”), Xianyang IRICO Green Energy Co., Ltd.\* (“IRICO Green Energy”) and Jiangsu IRICO Yongneng New Energy Company Limited\* (“IRICO Yongneng”), and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

##### 3. Allowances for bad debts made, reversed or recovered for the period (Continued)

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

Name	The amount of reversed or received	Basis of original provision of debt method and its rationality	Reasons of reversed or received	Receiving method
Wuxi Rongyuan New Materials Technology Co., Ltd. (無錫市融源新材料科技有限公司)	3,750,000.00	On aging basis	Debt collection	Offsetting payment
Wuxi Heneng Photovoltaic Technology Co., Ltd. (無錫合能光伏科技有限公司)	950,407.65	On aging basis	Debt collection	Monetary payment
Xianyang Weilike Energy Co., Ltd. (咸陽威力克能源有限公司)	364,979.66	On individual basis	Debt collection	Monetary payment
Vendato Handels UG haftungs	276,269.34	On aging basis	Debt collection	Monetary payment
Zhangjiagang Wuli Lake Trading Co., Ltd. (張家港市五里湖貿易有限公司)	187,334.84	On aging basis	Debt collection	Monetary payment
Tibet Caibang Energy Equipment Co., Ltd. (西藏財邦能源裝備有限公司)	171,419.57	On aging basis	Debt collection	Monetary payment
Other smaller summaries	419,441.57	On aging basis	Debt collection	Monetary payment/ Offsetting payment
<b>Total</b>	<b>6,119,852.63</b>			

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

##### 4. Accounts receivable actually written off in the period

Item	Write-off amount
Accounts receivable actually written off	5,878,308.74

Significant accounts receivable written off:

Name	Nature of accounts receivable	Write-off amount	Reasons for write-off	Write-off procedures performed	Whether arising from related transactions
Xianyang Weilike Energy Co., Ltd. (咸陽威力克能源有限公司)	Payment of goods	2,668,052.99	Corporate bankruptcy	Resolution by the board of directors	No
Shenzhen Zhongtao Battery Co. Ltd. (深圳市中韜電池有限公司)	Payment of goods	1,771,394.86	Corporate bankruptcy	Resolution by the board of directors	No
Tianwei New Energy (Yangzhou) Co., Ltd. (天威新能源(揚州)有限公司)	Payment of goods	1,410,339.20	Corporate bankruptcy	Resolution by the board of the directors	No
Zhejiang Sunflower Light Energy Science & Technology Co., Ltd. (浙江向日葵光能科技股份有限公司)	Payment of goods	20,130.30	Unlikely to be recovered	Resolution by the board of the directors	No
Zhangye Shenzhou New Energy Co., Ltd. (張掖神舟新能源有限公司)	Payment of goods	5,413.39	Corporate cancellation	Resolution by the board of the directors	No
Lightway Green Energy Technology Co., Ltd. (光為綠色能源科技有限公司)	Payment of goods	2,978.00	Unlikely to be recovered	Resolution by the board of the directors	No
Total		5,878,308.74			

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

##### 5. Top five accounts receivable according to closing balance of debtors

Name of unit	Accounts receivable	Closing balance Percentage of total accounts receivable (%)	Allowance for bad debts
Hefei JA Solar Technology Co., Ltd. (合肥晶澳太陽能科技有限公司)	56,273,500.18	22.11	
JA (Xingtai) Solar Technology Co., Ltd. (晶澳(邢台)太陽能有限公司)	34,816,236.30	13.68	
Datong LONGi Solar Technology Co., Ltd. (大同隆基樂葉光伏科技有限公司)	21,989,095.69	8.64	
Chuzhou LONGi Solar Technology Co., Ltd. (滁州隆基樂葉光伏科技有限公司)	21,273,861.68	8.36	
LDK Solar Hi-Tech (Nanchang) Co. Ltd. (賽維LDK太陽能 高科技(南昌)有限公司)	15,845,083.52	6.23	15,845,083.52
<b>Total</b>	<b>150,197,777.37</b>	<b>59.02</b>	<b>15,845,083.52</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

##### 6. Accounts receivable derecognised by transfer of financial assets

Items	Derecognition amount	Method of transfer of financial assets	Gains or losses related to derecognition
Hefei JA Solar Technology Co., Ltd. (合肥晶澳太陽能科技有限公司)	14,291,739.56	Accounts receivable transfer	
GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司)	13,790,916.92	Accounts receivable transfer	
Shanghai JA Solar Technology Co., Ltd. (上海晶澳太陽能科技有限公司)	10,737,566.63	Accounts receivable transfer	
Jinko Solar Co., Ltd. (晶科能源有限公司)	10,703,949.44	Accounts receivable transfer	
Zhejiang LONGi Solar Technology Co., Ltd. (浙江隆基樂葉光伏科技有限公司)	10,503,133.82	Accounts receivable transfer	
Taizhou LONGi Solar Technology Co., Ltd. (泰州隆基樂葉光伏科技有限公司)	10,422,272.32	Accounts receivable transfer	
Trina Solar Co., Ltd. (天合光能股份有限公司)	10,332,890.76	Accounts receivable transfer	
Suzhou Tenghui Photovoltaic Technology Co., Ltd. (蘇州騰暉光伏技術有限公司)	9,732,912.58	Accounts receivable transfer	
Dongfang Risheng New Energy Co., Ltd. (東方日升新能源股份有限公司)	8,453,466.97	Accounts receivable transfer	
CSI Photovoltaic Power (Luoyang) Co., Ltd. (阿特斯光伏電力(洛陽)有限公司)	7,958,286.02	Accounts receivable transfer	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

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

Items	Derecognition amount	Method of transfer of financial assets	Gains or losses related to derecognition
Dongfang Risheng (Changzhou) New Energy Co., Ltd. (東方日升(常州)新能源有限公司)	7,770,874.83	Accounts receivable transfer	
Anhui Daheng Energy Technology Co., Ltd. (安徽大恒能源科技有限公司)	7,645,451.78	Accounts receivable transfer	
Changshu CSI Sun Power Technology Co., Ltd. (常熟阿特斯陽光電力科技有限公司)	6,906,078.38	Accounts receivable transfer	
Suzhou CSI Sun Energy Technology Co., Ltd. (蘇州阿特斯陽光能源科技有限公司)	5,333,796.78	Accounts receivable transfer	
Hefei Chinaland Solar Energy Co., Ltd. (合肥中南光電有限公司)	2,047,131.35	Accounts receivable transfer	
Changzhou Tianhe Hezhong Optoelectronic Co., Ltd. (常州天合合眾光電有限公司)	1,327,595.19	Accounts receivable transfer	
<b>Total</b>	<b>137,958,063.33</b>		<b>-12,118,264.61</b>

*Note:* On 15 November 2019, the Company, Hefei Photovoltaic and IRICO New Material respectively signed a receivables transfer agreement with Zhongguang Wealth Commercial Factoring (Shenzhen) Co., Ltd. (中廣財富商業保理(深圳)有限公司) ("Zhongguang Wealth"). Part of the receivables held were proposed to transfer to Zhongguang Wealth.



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IV) Accounts receivable (Continued)

##### 7. The situation of overdue accounts receivable at the end of the period

Items	Closing balance
Accounts receivable not overdue and not impaired	234,224,240.02
Accounts receivable overdue and not impaired – within 3 months	2,261,939.75
Accounts receivable overdue and not impaired – over 3 months	1,319,623.70
<b>Total</b>	<b>237,805,803.47</b>

As of 31 December 2020, the information on the impairment of accounts receivable and the Company's exposure to credit risk and foreign currency risk is set out in Note VIII.

As at 31 December 2020, the carrying amounts of accounts receivable approximated their fair values.

The basis of accounts receivable aging analysis is set out in Note III. (XI).

#### (V) Receivables financing

##### 1. Receivables financing

Item	Closing balance	Balance at the end of last year
Bills receivable	418,786,392.28	455,599,031.06
Accounts receivable		
<b>Total</b>	<b>418,786,392.28</b>	<b>455,599,031.06</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (V) Receivables financing (Continued)

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

Item	Balance at the end of last year	New grants for the period	Derecognition for the period	Other changes	Closing balance	Accumulated allowance for losses recognized in other comprehensive income
Bank acceptance bills	455,599,031.06	2,303,742,876.77	2,274,737,619.09	-65,817,896.46	418,786,392.28	
<b>Total</b>	<b>455,599,031.06</b>	<b>2,303,742,876.77</b>	<b>2,274,737,619.09</b>	<b>-65,817,896.46</b>	<b>418,786,392.28</b>	

*Note:* Other changes were due to the transfers of equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, and were excluded from the influence of consolidation scope.

##### 3. Receivables financing pledged at the end of the period

Category	Amount pledged at the end of the period
Bank acceptance bills	204,388,876.46
Commercial acceptance bills	
<b>Total</b>	<b>204,388,876.46</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (V) Receivables financing (Continued)

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

Category	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	1,171,020,300.47	
Commercial acceptance bills		
<b>Total</b>	<b>1,171,020,300.47</b>	

#### (VI) Prepayments

1. *Prepayments stated according to aging analysis*

Aging	Closing balance		Balance at the end of last year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	34,855,625.69	85.65	35,845,068.77	87.42
1–2 years (inclusive)	5,766,378.94	14.17	1,204,139.61	2.94
2–3 years (inclusive)	10,032.00	0.02	179,395.57	0.44
Over 3 years	65,510.54	0.16	3,770,464.62	9.20
<b>Total</b>	<b>40,697,547.17</b>	<b>100.00</b>	<b>40,999,068.57</b>	<b>100.00</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VI) Prepayments (Continued)

##### 2. Top five prepayments according to closing balance of counterparties

Counterparties	Closing balance	Percentage of closing balance of total prepayments (%)
Anhui Electric Power Company Hefei Electric Power Supply Company (安徽省電力公司合肥供電公司)	9,907,590.06	24.34
CNSG Anhui Hong Sifang Co., Ltd (中鹽安徽紅四方股份有限公司)	8,544,725.64	21.00
Chenzhou Qibin Photovoltaic & Photoelectric Glass Co., Ltd. (郴州旗濱光伏光電玻璃有限公司)	6,048,000.00	14.86
CNSG Inner Mongolia Chemical Company Limited Yanjian Branch (中鹽內蒙古化工股份有限公司鹽鹼分公司)	5,727,560.00	14.07
Qingdao Chengrui Glass Co., Ltd. (青島成睿玻璃有限公司)	3,582,161.69	8.80
<b>Total</b>	<b>33,810,037.39</b>	<b>83.07</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VII) Other receivables

Item	Closing balance	Balance at the end of last year
Interests receivable		
Dividends receivable		
Other receivable	374,583,997.35	142,070,012.04
<b>Total</b>	<b>374,583,997.35</b>	<b>142,070,012.04</b>

#### 1. Other receivables

##### (1) Other receivables disclosed by aging

Aging	Closing balance	Balance at the end of last year
Within 1 year		
Including: 0–6 months (inclusive)	318,086,262.83	51,927,701.51
7–12 months (inclusive)	27,503,542.68	58,853,984.78
Subtotal of within 1 year	345,589,805.51	110,781,686.29
1–2 years (inclusive)	9,781,183.51	22,910,836.74
2–3 years (inclusive)	9,136,634.67	10,235,515.28
Over 3 years	10,076,373.66	3,089,172.92
Sub-total	374,583,997.35	147,017,211.23
Less: provision for bad debts		4,947,199.19
<b>Total</b>	<b>374,583,997.35</b>	<b>142,070,012.04</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VII) Other receivables (Continued)

##### 1. Other receivables (Continued)

##### (2) Other receivables disclosed according to provision for bad debts

Category	Closing balance					Balance at the end of last year				
	Book balance		Allowance for bad debts			Book balance		Allowance for bad debts		
	Amount	Proportion (%)	Amount	Appropriation		Amount	Proportion (%)	Appropriation		
				proportion (%)	Carrying amount			Amount	proportion (%)	Carrying amount
Allowance for bad debts is made based on individual basis					261,217.37	0.18	261,217.37	100.00		
Allowance for bad debts is made on group basis	374,583,997.35	100.00			374,583,997.35	146,755,993.86	99.82	4,685,981.82	3.19	142,070,012.04
Including: By aging	3,774,029.27	1.01			3,774,029.27	13,658,648.99	9.29	4,340,610.82	31.78	9,318,038.17
By related parties	317,380,869.00	84.73			317,380,869.00	40,155,113.28	27.31			40,155,113.28
By deposits, margins and reserves	53,429,099.08	14.26			53,429,099.08	92,942,231.59	63.22	345,371.00	0.37	92,596,860.59
<b>Total</b>	<b>374,583,997.35</b>	<b>100.00</b>			<b>374,583,997.35</b>	<b>147,017,211.23</b>	<b>100.00</b>	<b>4,947,199.19</b>		<b>142,070,012.04</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VII) Other receivables (Continued)

##### 1. Other receivables (Continued)

##### (2) Other receivables disclosed according to provision for bad debts (Continued)

Allowance for bad debts made on group basis:

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

Name	Other receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
0-6 months (inclusive)	3,774,029.27		
7-12 months (inclusive)			
1-2 years (inclusive)			
2-3 years (inclusive)			
Over 3 years			
<b>Total</b>	<b>3,774,029.27</b>		

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

Name	Other receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
By related parties	317,380,869.00		
<b>Total</b>	<b>317,380,869.00</b>		

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VII) Other receivables (Continued)

##### 1. Other receivables (Continued)

##### (2) Other receivables disclosed according to provision for bad debts (Continued)

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

Name	Other receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
By deposits, margins and reserves	53,429,099.08		
<b>Total</b>	<b>53,429,099.08</b>		

##### (3) Allowances for bad debts

Allowances for bad debts	Stage I ECL for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	4,685,981.82		261,217.37	4,947,199.19
Balance at the end of last year during the period				
- Transferred to Stage II				
- Transferred to Stage III				
- Reversed to Stage II				
- Reversed to Stage I				
Made in the period	3,904,034.31			3,904,034.31
Reversed in the period	361,818.55		225,026.25	586,844.80
Charged off in the period	62,133.78			62,133.78
Written off in the period				
Other changes	-8,166,063.80		-36,191.12	-8,202,254.92
<b>Closing balance</b>				

*Note:* Other changes were due to the transfers of equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, and were excluded from the influence of consolidation scope.



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. *Other receivables (Continued)*

(3) Allowances for bad debts (Continued)

Change in book balance of other receivables is as follows:

Allowances for bad debts	Stage I ECL for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	146,755,993.86		261,217.37	147,017,211.23
Balance at the end of last year during the period				
- Transferred to Stage II				
- Transferred to Stage III				
- Reversed to Stage II				
- Reversed to Stage I				
Addition in the period	2,116,689,635.86			2,116,689,635.86
Derecognition in the period	1,572,341,182.50		225,026.25	1,572,566,208.75
Other changes	-316,520,449.87		-36,191.12	-316,556,640.99
Closing balance	374,583,997.35			374,583,997.35

*Note:* Other changes were due to the transfers of equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VII) Other receivables (Continued)

##### 1. Other receivables (Continued)

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

Category	Balance at the end of last year	Provision	Changes during the period			Closing balance
			Recovered or reversed	Charged off or written off	Other decreases	
Single item of bad debt provision	261,217.37		225,026.25		36,191.12	
Other receivables that are subject to provision for bad debts collectively on credit risk characteristics	4,685,981.82	3,904,034.31	361,818.55	62,133.78	8,166,063.80	
Including: By aging	4,340,610.82	3,904,034.31	16,447.55	62,133.78	8,166,063.80	
By related parties						
By deposits, margins and reserves	345,371.00		345,371.00			
<b>Total</b>	<b>4,947,199.19</b>	<b>3,904,034.31</b>	<b>586,844.80</b>	<b>62,133.78</b>	<b>8,202,254.92</b>	

*Note:* Other decreases were due to the transfers of equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VII) Other receivables (Continued)

##### 1. Other receivables (Continued)

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

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

Name	The amount reversed or received	Basis of recognizing the original provision of bad debt and its rationality	Reasons for amount reversed or received	Receiving method
Other smaller summaries	225,026.25	On individual basis	Debt collection	Monetary payment
Other smaller summaries	361,818.55	On collective basis	Debt collection	Monetary payment
<b>Total</b>	<b>586,844.80</b>			

##### (5) Other receivables actually written off in the period

Item	Write-off amount
Other receivables actually written off	62,133.78

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VII) Other receivables (Continued)

##### 1. Other receivables (Continued)

##### (5) Other receivables actually written off in the period (Continued)

Significant other receivables written off:

Name of unit	Nature of other receivables	Write-off amount	Reasons for write-off	Write-off procedures performed	Whether arising from related transactions
Sinotrans Guangdong Company Limited Shunde Branch	Compensation	62,133.78	Unlikely to be recovered	Resolution by the board of directors	No
<b>Total</b>		<b>62,133.78</b>			

##### (6) Receivables by nature

Nature	Closing balance	Balance at the end of last year
Amounts due to related parties	317,380,869.00	40,155,113.28
Deposits, margins and reserves	53,429,099.08	92,942,231.59
Other current account	3,774,029.27	13,919,866.36
<b>Total</b>	<b>374,583,997.35</b>	<b>147,017,211.23</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

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

Name of unit	Nature of payment	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of allowance for bad debts
IRICO Group Corporation Limited* (彩虹集團有限公司)	Related transaction	252,665,420.00	Within 1 year	67.45	
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	Related transaction	64,709,449.00	Within 1 year	17.28	
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	Margins	18,000,000.00	0 to 5 years	4.81	
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	Margins	16,500,000.00	0 to 3 years	4.40	
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	Margins	4,000,000.00	Within 1 year	1.07	
<b>Total</b>		<b>355,874,869.00</b>		<b>95.01</b>	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VII) Other receivables (Continued)

##### 1. Other receivables (Continued)

- (7) Top five other account receivables according to closing balance of debtors (Continued)

*Note 1:* Included in the trade receivables from IRICO Group Corporation Limited were outstanding payments of RMB226,335,400 for acquisition of the equity interest in three companies, namely IRICO New Material, IRICO Green Energy and IRICO Yongneng, among which, amounts due to IRICO New Material, IRICO Green Energy and IRICO Yongneng for acquisition of their respective equity interest amounted to RMB143,557,900, RMB52,050,000 and RMB30,727,500, respectively; and subsidies for special hardship granted by the Ministry of Finance amounting to RMB26,330,000, which IRICO Group Corporation Limited had transferred to the Company on 29 January 2021.

*Note 2:* The trade receivables from Xianyang Zhongdian IRICO Group Holdings Ltd. were the outstanding payments for the acquisition of equity interest in Zhuhai Caizhu Industrial Co., Ltd.

#### (VIII) Inventories

##### 1. Categories of inventories

Item	Book balance	Closing balance		Balance at the end of last year		
		Provision for impairment of inventories	Carrying amount	Book balance	Provision for impairment of inventories	Carrying amount
Goods in stock						
(finished goods)	146,647,647.28	1,319,025.50	145,328,621.78	89,118,151.78	1,274,060.08	87,844,091.70
Revolving materials and others	13,656,133.06	1,190,466.17	12,465,666.89	27,164,497.93	5,102,201.23	22,062,296.70
Raw materials	18,642,446.42	155,649.15	18,486,797.27	35,519,189.65	775,814.71	34,743,374.94
Goods in transit	2,467,170.75	201,321.56	2,265,849.19	2,901,804.11		2,901,804.11
Semi-finished goods and work-in-process	264,717.11		264,717.11	7,238,186.68	58,912.50	7,179,274.18
<b>Total</b>	<b>181,678,114.62</b>	<b>2,866,462.38</b>	<b>178,811,652.24</b>	<b>161,941,830.15</b>	<b>7,210,988.52</b>	<b>154,730,841.63</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (VIII) Inventories (Continued)

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

Item	Balance at the end of last year	Increase in the period		Decrease in the period		Closing balance
		Accrue	Others	Reversal or Write-off	Others	
Goods in stock	1,274,060.08	1,157,258.84		122,005.94	990,287.48	1,319,025.50
Revolving materials and others	5,102,201.23	1,190,466.17		4,900,879.67	201,321.56	1,190,466.17
Raw materials	775,814.71	6,877,213.25		54,868.72	7,442,510.09	155,649.15
Goods in transit		201,321.56				201,321.56
Semi-finished goods and work-in-process	58,912.50			58,912.50		
<b>Total</b>	<b>7,210,988.52</b>	<b>9,426,259.82</b>		<b>5,136,666.83</b>	<b>8,634,119.13</b>	<b>2,866,462.38</b>

*Note:* Other decreases were due to the transfers of equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (IX) Other current assets

Item	Closing balance	Balance at the end of last year
Input VAT deductible	38,462,630.38	74,707,920.51
Prepaid EIT		3,140,102.54
Deferred Expenses		681,141.18
<b>Total</b>	<b>38,462,630.38</b>	<b>78,529,164.23</b>

#### (X) Long-term receivables

Item	Closing balance			Opening balance			Closing discount rate range
	Book balance	Allowance for bad debts	Carrying amount	Book balance	Allowance for bad debts	Carrying amount	
Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹佳潤澤礦業有限公司)	22,923,378.88		22,923,378.88				
<b>Total</b>	<b>22,923,378.88</b>		<b>22,923,378.88</b>				



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XI) Long-term equity investments

Name of investees	Balance at the end of last year	Increase in investment	Decrease in investment	Increase/decrease in the period			Distribution of cash dividend or profit	Provision for impairment	Others	Closing balance	Closing balance of impairment provision
				Investment gain or loss recognized under equity method	Adjustment to other comprehensive income	Other equity change					
1. Joint Venture											
Shenmu Caijing Photovoltaics Power Generation Co., Ltd. (神木彩景光伏發電有限公司)	35,411,684.42		35,411,709.36	24.94							-
Subtotal	35,411,684.42		35,411,709.36	24.94							
2. Associate											
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	3,303,723.21			19,294.35						-3,323,017.56	
IRICO New Energy (Changwu) Co., Ltd. (長武彩虹新能源有限公司)	2,938,836.64			-242,361.23						-2,696,475.41	
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	11,825,858.09			7,514.64						-11,833,372.73	
Zhu Hai Caizhu Industrial Co., Ltd. (珠海彩珠實業有限公司)	125,983,056.37		127,774,409.19	1,791,352.82							
Hanzhong Jiarunze Mining Development Co., Ltd* (漢中佳潤澤礦業開發有限責任公司)	14,897,527.75			-3,360,158.71					193,601.85	11,730,970.89	
Subtotal	158,949,002.06		127,774,409.19	-1,784,358.13					-17,659,263.85	11,730,970.89	
Total	194,360,686.48		163,186,118.55	-1,784,333.19					-17,659,263.85	11,730,970.89	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XI) Long-term equity investments (Continued)

*Note 1:* The equity interests in Shenmu Caijing Photovoltaics Power Generation Co., Ltd. (神木彩景光伏發電有限公司) held by IRICO Green Energy, a former subsidiary of the Company, was transferred to Jingcheng Ruihe (Beijing) New Energy Consulting Co., Ltd.\* (景成瑞和(北京)新能源諮詢有限公司) by way of public tender on 12 August 2020 on the Shanghai United Assets and Equity Exchange Co., Ltd., at a trading price of RMB35,411,700.

*Note 2:* As approved by the independent shareholders at the extraordinary general meeting on 28 December 2020, the equity interests in Zhuhai Caizhu Industrial Co., Ltd.\* (珠海彩珠寶業有限公司) held by the Company was transferred to Xianyang Zhongdian IRICO Group Holdings Ltd.\* (咸陽中電彩虹集團控股有限公司).

*Note 3:* The reduction in the investment of IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司), IRICO New Energy (Changwu) Co., Ltd (長武彩虹新能源有限公司) and IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司) was due to the transfer of the Company's equity interest in IRICO Green Energy.

#### (XII) Other investment in equity instruments

##### 1. Details of other investment in equity instruments

Items	Closing balance	Balance at the end of last year
IRICO Display Devices Co., Ltd. (彩虹顯示器件股份有限公司)	235,601,982.18	148,577,826.60
Shaanxi IRICO Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公司)	73,328,400.98	102,767,095.46
<b>Total</b>	<b>308,930,383.16</b>	<b>251,344,922.06</b>

*Note 1:* There were 35,375,673 shares of IRICO Display Devices Co., Ltd. ("IRICO Display") held at the end of the period, and the stock price was RMB6.66 per share.

*Note 2:* There were 7.2953% shareholding of Shaanxi IRICO Electronics Glass Co., Ltd. held at the end of the period.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XII) Other investment in equity instruments (Continued)

2. *Details of investment in non-trading equity instruments*

Items	Dividend income recognized in the year	Accumulated Gains	Accumulated Losses	Amount of transferred to retained earnings from other comprehensive income	Reasons for designating as financial assets at fair value through other comprehensive income	Reasons for transferring to retained earnings from other comprehensive income
IRICO Display Devices Co., Ltd.			144,859,504.14		Investment in equity instrument not held for trading purposes	
Shaanxi IRICO Electronics Glass Co., Ltd.			29,587,856.83		Investment in equity instrument not held for trading purposes	

(XIII) Fixed assets

1. *Fixed assets and disposal of fixed assets*

Item	Closing balance	Balance at the end of last year
Fixed assets	2,032,954,626.64	1,622,009,349.95
Disposal of fixed assets	1,792.45	116,557.06
Total	2,032,956,419.09	1,622,125,907.01

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XIII) Fixed assets (Continued)

##### 2. Details of fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Electronic equipment	Office equipment	Specialized glass equipment	Total
1. Original carrying amount							
(1) Balance at the end of last year	815,642,446.66	1,112,391,701.84	16,752,326.85	540,300,009.44	18,955,135.46	411,279,004.48	2,915,320,624.73
(2) Increase in the period	300,595,453.45	303,725,434.44	130,000.00	105,927,558.77	7,756,511.18	107,369,407.91	825,504,365.75
- Purchase		9,147,168.19	130,000.00	3,096,337.79	5,751,281.32		18,124,787.30
- Transferred from construction in progress	300,595,453.45	294,578,266.25		102,831,220.98	2,005,229.86	107,369,407.91	807,379,578.45
(3) Decrease in the period	92,721,328.73	442,970,650.93	4,749,653.89	243,276,413.90	18,015,250.49	122,318,832.66	924,052,130.60
- Disposal or scrapping		95,658,799.01	1,982,603.10	197,334,203.32	2,802,055.83	122,318,832.66	420,096,493.92
- Other decreases	92,721,328.73	347,311,851.92	2,767,050.79	45,942,210.58	15,213,194.66		503,962,736.68
(4) Closing balance	1,023,516,571.38	973,146,485.35	12,132,672.96	402,951,154.31	8,696,396.15	396,329,579.73	2,816,772,859.88
2. Accumulated depreciation							
(1) Balance at the end of last year	125,433,283.58	238,351,515.17	9,432,929.53	101,640,516.17	11,320,725.12	104,618,999.34	590,797,968.91
(2) Increase in the period	29,277,369.04	57,765,695.57	1,065,189.60	18,054,675.33	1,438,542.95	38,109,771.61	145,711,244.10
- Provision	29,277,369.04	57,765,695.57	1,065,189.60	18,054,675.33	1,438,542.95	38,109,771.61	145,711,244.10
(3) Decrease in the period	54,446,879.50	207,770,809.27	3,212,998.97	64,477,525.22	7,015,987.51	42,772,952.81	379,697,153.28
- Disposal or scrapping		13,913,736.21	1,510,842.08	46,806,590.16	2,201,409.77	42,772,952.81	107,205,531.03
- Other decreases	54,446,879.50	193,857,073.06	1,702,156.89	17,670,935.06	4,814,577.74		272,491,622.25
(4) Closing balance	100,263,773.12	88,346,401.47	7,285,120.16	55,217,666.28	5,743,280.56	99,955,818.14	356,812,059.73
3. Provision for impairment							
(1) Balance at the end of last year	3,126,964.80	289,179,084.74	3,154,148.48	233,876,874.69	1,175,360.31	172,000,872.85	702,513,305.87
(2) Increase in the period							
- Provision							
(3) Decrease in the period		84,161,336.58	412,282.93	124,544,965.84	516,584.32	65,871,962.69	275,507,132.36
- Disposal or scrapping		74,060,039.55	412,282.93	123,333,140.06	516,584.32	65,871,962.69	264,194,009.55
- Other decreases		10,101,297.03		1,211,825.78			11,313,122.81
(4) Closing balance	3,126,964.80	205,017,748.16	2,741,865.55	109,331,908.85	658,775.99	106,128,910.16	427,006,173.51
4. Carrying amount							
(1) Closing balance of carrying amount	920,125,833.46	679,782,335.72	2,105,687.25	238,401,579.18	2,294,339.60	190,244,851.43	2,032,954,626.64
(2) Carrying amount at the end of last year	687,082,198.28	584,861,101.93	4,165,248.84	204,782,618.58	6,459,050.03	134,659,132.29	1,622,009,349.95

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XIII) Fixed assets (Continued)

##### 2. Details of fixed assets (Continued)

*Note:* Other decreases were due to the transfers of equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, and were excluded from the influence of consolidation scope.

##### 3. Details of fixed assets of which title of certificates had not been obtained

Item	Carrying amount	Reasons for having not to obtained the title of certificates
Buildings and structures	295,434,598.67	The title of certificate of Yan'an New Energy is in progress
Buildings and structures	264,695,754.57	The title of certificate of Hefei Photovoltaic is in progress
<b>Total</b>	<b>560,130,353.24</b>	

##### 4. Disposal of fixed assets

Item	Closing balance	Balance at the end of last year
Motor vehicles	1,792.45	22,061.82
Machinery and equipment		31,005.66
Electronic equipment		63,489.58
<b>Total</b>	<b>1,792.45</b>	<b>116,557.06</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XIII) Fixed assets (Continued)

##### 5. Other explanation

The situation of term of fixed assets used in Mainland China:

Period	Closing balance	Balance at the end of last year
Medium-term (10–50 years)	1,838,309,748.36	1,476,725,918.79
Short-term (within 10 years)	194,644,878.28	145,283,431.16

#### (XIV) Construction in progress

##### 1. Construction in progress and construction materials

Item	Closing balance	Balance at the end of last year
Construction in progress	367,729,484.07	791,768,042.42
Construction materials		
Total	367,729,484.07	791,768,042.42

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XIV) Construction in progress (Continued)

##### 2. Construction in progress

Item	Book balance	Closing balance		Balance at the end of last year		
		Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	365,094,684.72		365,094,684.72	90,602,892.48		90,602,892.48
Xianyang photovoltaic glass production line construction project (咸陽光伏玻璃生產線建設項目)	2,573,004.40	2,573,004.40		2,573,004.40		2,573,004.40
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期項目)	2,430,813.45		2,430,813.45	134,304,145.72	84,426,004.20	49,878,141.52
Yan'an solar photovoltaic glass furnace (延安太陽能光伏玻璃窯爐)				637,912,024.44		637,912,024.44
2GW solar photovoltaic modules production line project of Jiangsu Yongneng (江蘇永能2GW太陽能組件生產線項目)				2,957,273.96		2,957,273.96
Xianyang ancillary technical reconstruction project for cathode materials production line (咸陽正極材料生產線配套技改項目)				3,869,149.10		3,869,149.10
Environmental protection facilities construction projects (環保設施建設項目)				504,424.79		504,424.79
Ancillary reconstruction project for cathode materials technical update and automation (正極材料技術提升及自動化配套改造項目)				2,926,440.07		2,926,440.07
Others	203,985.90		203,985.90	544,691.66		544,691.66
<b>Total</b>	<b>370,302,488.47</b>	<b>2,573,004.40</b>	<b>367,729,484.07</b>	<b>876,194,046.62</b>	<b>84,426,004.20</b>	<b>791,768,042.42</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XIV) Construction in progress (Continued)

##### 3. Movements of significant construction in progress for the period

Name of project	Budgeted amount	Balance at the end of last year	Increase for the period	Amount transferred in fixed Assets for the period	Other decreases for the period	Closing balance	Accumulated investment in project as a percentage of total budget (%)	Project progress (%)	Accumulated amount of interest capitalized	Of which: amount of interest capitalized for the period	Interest capitalized rate for the period (%)	Sources of fund
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	1,850,000,000.00	90,602,892.48	281,524,474.16	7,032,681.92		365,094,684.72	88.67	88.67	194,196,991.81			Self-raised funds and loans from financing institution
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期項目)	305,000,000.00	134,304,145.72			131,873,332.27	2,430,813.45			20,221,417.52			Self-raised fund
Yan'an solar photovoltaic glass furnace (延安太陽能光伏玻璃蓄爐)	750,170,800.00	637,912,024.44	162,434,872.09	800,346,896.53		-			39,485,161.81	16,840,014.50	4.35	Self-raised fund, loans
<b>Total</b>	<b>2,905,170,800.00</b>	<b>862,819,062.64</b>	<b>443,959,346.25</b>	<b>807,379,578.45</b>	<b>131,873,332.27</b>	<b>367,525,498.17</b>			<b>253,903,571.14</b>	<b>16,840,014.50</b>		

*Note:* The Company disposed Xianyang photovoltaic glass project (phase III) under construction in this year, the construction in progress decreased by RMB131,873,300 correspondingly and the remaining cables amounted to RMB2.43 million.

##### 4. Provision for impairment of construction in progress for the period

Item	Amount accrued for the period	Reason for the provision
Xianyang photovoltaic glass production line construction project (咸陽光伏玻璃生產線建設項目)	2,573,004.40	Project suspension
<b>Total</b>	<b>2,573,004.40</b>	



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XV) Right-of-use assets

Item	Buildings and structures	Office equipment and others	Transportation Tools	Total
1. Original carrying amount				
(1) Balance at the end of last year	17,629,108.06	121,798.46	116,728.17	17,867,634.69
(2) Increase for the period	773,251.65			773,251.65
– Additional lease	773,251.65			773,251.65
(3) Decrease for the period	5,047,537.36	121,798.46	116,728.17	5,286,063.99
– Other decreases	5,047,537.36	121,798.46	116,728.17	5,286,063.99
(4) Closing balance	13,354,822.35			13,354,822.35
2. Accumulated depreciation				
(1) Balance at the end of last year	2,884,678.75	60,899.23	38,909.39	2,984,487.37
(2) Increase for the period	3,590,259.25	60,899.23	38,909.39	3,690,067.87
– Provision	3,590,259.25	60,899.23	38,909.39	3,690,067.87
(3) Decrease for the period	1,133,009.06	121,798.46	77,818.78	1,332,626.30
– Other decreases	1,133,009.06	121,798.46	77,818.78	1,332,626.30
(4) Closing balance	5,341,928.94			5,341,928.94
3. Provision for impairment				
(1) Balance at the end of last year				
(2) Increase for the period				
– Provision				
(3) Decrease for the period				
– Other decreases				
(4) Closing balance				
4. Carrying amount				
(1) Closing balance of carrying amount	8,012,893.41			8,012,893.41
(2) Balance at the end of last year of carrying amount	14,744,429.31	60,899.23	77,818.78	14,883,147.32

*Note:* Other decreases were due to the transfers of equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XVI) Intangible assets

##### 1. Intangible assets

Item	Land use rights	Patents	Trademarks	Software	Non-patent technologies	Total
1. Original carrying amount						
(1) Balance as at the end of last year	276,502,034.42	1,376,000.00	45,850.00	2,377,002.03	19,582,500.00	299,883,386.45
(2) Increase for the period				94,000.00	24,915,390.59	25,009,390.59
– Addition				94,000.00		94,000.00
– Internal R&D					24,915,390.59	24,915,390.59
(3) Decrease for the period	65,273,124.14	1,376,000.00	45,850.00	2,377,002.03	44,497,890.59	113,569,866.76
– Disposal						
– Other decreases	65,273,124.14	1,376,000.00	45,850.00	2,377,002.03	44,497,890.59	113,569,866.76
(4) Closing balance	211,228,910.28			94,000.00		211,322,910.28
2. Accumulated amortization						
(1) Balance as at the end of last year	34,122,910.42	1,376,000.00	37,825.92	2,328,681.20	19,549,166.67	57,414,584.21
(2) Increase for the period	5,454,186.24		4,584.96	26,617.89	2,317,244.19	7,802,633.28
– Provision	5,454,186.24		4,584.96	26,617.89	2,317,244.19	7,802,633.28
(3) Decrease for the period	8,588,220.15	1,376,000.00	42,410.88	2,343,549.08	21,866,410.86	34,216,590.97
– Disposal						
– Other decreases	8,588,220.15	1,376,000.00	42,410.88	2,343,549.08	21,866,410.86	34,216,590.97
(4) Closing balance	30,988,876.51			11,750.01		31,000,626.52
3. Provision for impairment						
(1) Balance as at the end of last year						
(2) Increase for the period						
– Provision						
(3) Decrease for the period						
– Disposal						
(4) Closing balance						
4. Carrying amount						
(1) Carrying amount as at the end of the period	180,240,033.77			82,249.99		180,322,283.76
(2) Carrying amount as at the end of last year	242,379,124.00		8,024.08	48,320.83	33,333.33	242,468,802.24

*Note:* Other decreases were due to the transfers of equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XVI) Intangible assets (Continued)

2. *The Company did not have land use rights whose title of certificates had not been obtained*
3. *Other explanation*

All of the intangible assets of the Company were in Mainland China, the useful life of which is set out below:

Item	Closing balance	Opening balance
Long term (No shorter than 50 years)	180,240,033.77	242,379,124.00
Short term (Shorter than 50 years but no shorter than 10 years)	82,249.99	89,678.24

#### (XVII) Development expenditures

Item	Increase for the period		Decrease for the period		Progress of research and development as at the end of the period
	Balance as at the end of last year	Internal development expenditures	Recognised as intangible assets	Charged to the current profit or loss	
Method for manufacturing hydrophobic high nickel ternary cathode material		7,439,965.98		7,439,965.98	
High-voltage single crystal ternary material and preparation method thereof		5,127,352.88		5,127,352.88	
Technological development of NCM811 ternary materials	14,864,322.83		14,864,322.83		
Technological development of low-temperature and pressure sensitive silver paste	10,051,067.76		10,051,067.76		
Total	24,915,390.59	12,567,318.86	24,915,390.59	12,567,318.86	

*Note:* Other decreases were due to the transfer of equity interest in IRICO New Material during the reporting period, and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XVIII) Goodwill

##### 1. Movements in goodwill

Names of investees or items resulting in goodwill	Balance as at the end of last year	Increase for the period		Decrease for the period		Closing balance
		By business combination	Others	Disposal	Others	
Original carrying amount						
Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司)	41,533,010.55			41,533,010.55		
Subtotal	41,533,010.55			41,533,010.55		
Provision for impairment						
Jiangsu IRICO Yongneng New Energy Company Limited*	4,979,799.18			4,979,799.18		
Subtotal	4,979,799.18			4,979,799.18		
Carrying amounts	36,553,211.37			36,553,211.37		

#### (XIX) Long-term deferred expenses

Item	Balance as at the end of last year	Increase for the period	Amortisation for the period	Other decreases	Closing balance
Expansion of production capacity of battery materials	857,353.95		381,046.20	476,307.75	
Positive silver paste and silver powder project of solar power		2,814,413.19	328,348.23	2,486,064.96	
Total	857,353.95	2,814,413.19	709,394.43	2,962,372.71	

*Note:* Other decreases were due to the transfer of equity interest in IRICO New Material during the reporting period, and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XX) Deferred tax assets and deferred tax liabilities

1. *Deferred tax assets which are not offset*

Item	Closing balance		Balance as at the end of last year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deductible losses	292,003,408.42	43,800,511.26		
Provision for asset impairment	375,357.81	56,303.67	10,454,803.07	1,568,220.47
<b>Total</b>	<b>292,378,766.23</b>	<b>43,856,814.93</b>	<b>10,454,803.07</b>	<b>1,568,220.47</b>

2. *Deferred tax liabilities which are not offset*

Item	Closing balance		Balance as at the end of last year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Assets revaluation increment from business combination not under common controller			4,242,406.73	636,361.01
<b>Total</b>			<b>4,242,406.73</b>	<b>636,361.01</b>

3. *Breakdown of unrecognised deferred income tax assets*

Item	Closing balance	Balance as at the end of last year
Deductible temporary differences	607,048,344.72	1,108,506,631.61
Deductible losses	881,671,566.51	1,133,372,573.33
<b>Total</b>	<b>1,488,719,911.23</b>	<b>2,241,879,204.94</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XX) Deferred tax assets and deferred tax liabilities (Continued)

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

Year	Closing balance	Balance as at the end of last year	Notes
2020		323,481,694.98	
2021	43,788,203.01	43,788,203.01	
2022	384,122,955.80	384,122,955.80	
2023	125,017,691.51	125,017,691.51	
2024	256,962,028.03	256,962,028.03	
2015 and subsequent years	71,780,688.16		
<b>Total</b>	<b>881,671,566.51</b>	<b>1,133,372,573.33</b>	

(XXI) Short-term borrowings

1. *Categories of short-term borrowings*

Item	Closing balance	Balance at the end of last year
Guaranteed loans	475,191,483.33	389,260,642.94
Mortgaged loans	100,000,000.00	18,000,000.00
Guaranteed and mortgaged loans	100,000,000.00	30,000,000.00
Pledged loans		147,131,587.50
<b>Total</b>	<b>675,191,483.33</b>	<b>584,392,230.44</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXI) Short-term borrowings (Continued)

##### 2. Details of short-term borrowings

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
China Construction Bank Corporation Hefei Chengdong Sub-branch (中國建設銀行股份有限公司合肥城東支行)	180,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Industrial Bank Co., Ltd. Hefei Branch (興業銀行股份有限公司合肥支行)	70,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Hefei Science & Technology Rural Commercial Bank Co., Ltd Xinzhan Sub-branch (合肥科技農村商業銀行股份有限公司新站支行)	57,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Guangfa Bank Hefei Feixi Branch (廣發銀行股份有限公司合肥肥西分行)	50,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Huishang Bank Corporation Limited* Hefei Technology Sub-branch (徽商銀行股份有限公司合肥科技支行)	50,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Zheshang Bank Co., Ltd. Xianyang Branch (浙商銀行股份有限公司咸陽分行)	38,146,933.33	IRICO Group Corporation Limited* (彩虹集團有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Huaxia Bank Co., Ltd. Xi'an Branch (華夏銀行股份有限公司西安分行)	30,044,550.00	IRICO Group Corporation Limited* (彩虹集團有限公司)
<b>Total</b>	<b>475,191,483.33</b>	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXI) Short-term borrowings (Continued)

##### 2. Details of short-term borrowings (Continued)

Mortgaged loans:

Lender	Borrowing balance	Pledge
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	100,000,000.00	Buildings and structures
Total	100,000,000.00	

Guaranteed and mortgaged loans:

Lender	Borrowing balance	Collateral and guarantor
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	100,000,000.00	Pledged with property and guaranteed by IRICO Group Corporation Limited* (彩虹集團有限公司) at the same time.
Total	100,000,000.00	



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXII) Notes Payable

Category	Closing balance	Balance at the end of last year
Bank acceptance bills	825,808,996.64	609,456,870.22
Trade acceptance bills	6,194,870.74	43,500,682.49
Total	832,003,867.38	652,957,552.71

At the end of the period, there were no notes payable due and not paid.

#### (XXIII) Accounts Payable

##### 1. Accounts payable

Item	Closing balance	Balance at the end of last year
Within 1 year (inclusive)	693,354,309.70	588,863,908.41
1 to 2 years (inclusive)	84,075,511.76	95,098,279.34
2 to 3 years (inclusive)	13,329,598.60	45,057,115.54
Over 3 years	29,865,147.79	31,356,211.23
Total	820,624,567.85	760,375,514.52

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXIII) Accounts Payable (Continued)

##### 2. Significant accounts payable aged over 1 year

Item	Closing balance	Reasons for outstanding or carried forward
Guangzhou Baiyun District Shijing Special Fire-resistant Materials Plant (廣州市白雲區石井特種耐火材料廠)	7,918,543.11	Not collected
Xianyang Cailian Packaging Materials Company Limited (咸陽彩聯包裝材料有限公司)	4,358,391.75	Not collected
South Glass Technology Co., Ltd. (廣東索奧斯玻璃技術有限公司)	4,052,136.75	Not collected
Siping Hongda Hydraulic Machinery Manufacturing Co., Ltd. (四平宏大液壓機械製造有限公司)	3,220,393.20	Not collected
No. 9 Metallurgical Construction Co., Ltd. (九冶建設有限公司)	3,015,923.61	Not collected
Shanghai Precision Dosing & Weighing System Co., Ltd. (上海普利森配料系統有限公司)	2,802,000.00	Not collected
Qinhuangdao Qin Hai Kiln Industry Co., Ltd. (秦皇島秦海窯業有限公司)	2,490,000.00	Not collected
Shenzhen Jixiang Cloud Technology Co., Ltd. (深圳市吉祥雲科技有限公司)	2,304,000.00	Not collected
Beijing Lingyunguang Technology Group Co., Ltd. (北京凌雲光技術集團有限責任公司)	2,296,659.96	Not collected
Bengbu Triumph Engineering Technology Co., Ltd (蚌埠凱盛工程技術有限公司)	1,546,025.64	Not collected
<b>Total</b>	<b>34,004,074.02</b>	<b>Not collected</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXIII) Accounts Payable (Continued)

##### 3. Accounts payable by nature

Item	Closing balance	Balance at the end of last year
Payables for materials	366,419,428.76	416,526,635.62
Payables for equipment	264,171,565.11	135,327,683.41
Payables for construction	66,886,093.95	115,051,988.61
Payables for services	31,667,459.60	41,405,795.22
Payables for supplies	50,577,558.25	12,134,647.81
Payables for transportation	40,081,058.18	37,111,899.37
Others	821,404.00	7,977,089.71
Total	820,624,567.85	760,375,514.52

#### (XXIV) Contract liabilities

##### 1. Contract liabilities

Item	Closing balance	Balance at the end of last year
Payment for goods	64,509,216.01	45,545,512.30
Total	64,509,216.01	45,545,512.30

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXIV) Contract liabilities (Continued)

2. *Significant change in book value during the reporting period and reasons therefore*

Item	Changes	Reasons for the change
Payment for goods	56,129,152.01	There was a difference between the collection progress and the progress of revenue confirmation, resulting in a change in the balance of contract liabilities.
Payment for goods	-37,165,448.30	The Company transferred its equity interests in three companies, i.e. IRICO New Material, IRICO Green Energy and IRICO Yongneng, during the reporting period, which were excluded from the influence of consolidation scope.
<b>Total</b>	<b>18,963,703.71</b>	

#### (XXV) Employee benefits payable

1. *Employee benefits payable is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Short-term benefits	16,038,797.17	172,671,822.43	179,296,060.67	9,414,558.93
Post-employment benefits – defined contribution scheme	137,073.97	1,513,458.47	1,650,532.44	
Termination benefits	807,606.17	161,261.28	389,645.99	579,221.46
Other welfares due within one year				
<b>Total</b>	<b>16,983,477.31</b>	<b>174,346,542.18</b>	<b>181,336,239.10</b>	<b>9,993,780.39</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXV) Employee benefits payable (Continued)

2. Short-term benefits is shown as follows

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
(1) Salaries, bonuses, allowance and subsidies	4,297,602.72	135,154,584.76	136,452,187.48	3,000,000.00
(2) Staff welfare	4,796,524.32	12,414,666.74	16,634,430.01	576,761.05
(3) Social insurance	109,330.29	8,178,831.64	8,288,161.93	
Including: Medical insurance	109,330.29	7,259,200.79	7,368,531.08	
Work-related injury insurance		329,707.12	329,707.12	
Maternity insurance		568,284.69	568,284.69	
Others		21,639.04	21,639.04	
(4) Housing provident fund	42,124.45	8,368,644.81	8,410,769.26	
(5) Labour union expenses and employee education expenses	6,793,215.39	1,936,001.67	2,891,419.18	5,837,797.88
(6) Short-term paid absences				
(7) Short-term profit sharing plan				
(8) Other short-term benefits		6,619,092.81	6,619,092.81	
<b>Total</b>	<b>16,038,797.17</b>	<b>172,671,822.43</b>	<b>179,296,060.67</b>	<b>9,414,558.93</b>

3. Defined contribution scheme is shown as follows

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	107,330.42	1,488,445.10	1,595,775.52	
Unemployment insurance	29,743.55	25,013.37	54,756.92	
Annuity				
<b>Total</b>	<b>137,073.97</b>	<b>1,513,458.47</b>	<b>1,650,532.44</b>	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXV) Employee benefits payable (Continued)

##### 3. Defined contribution scheme is shown as follows (Continued)

*Note:* According to the Notice of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (Ren She Bu Fa [2020] No. 11) and the Notice of the Extension of Implementation Period of Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and Other Issues (Ren She Bu Fa [2020] No. 49) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, as well as a series of documents issued by the local government of the place where the enterprise is located, the Company and its subsidiaries was entitled to preferential reduction and exemption of basic pension insurance, unemployment insurance and work-related injury insurance payable by enterprises in 2020, with a period from February 2020 to December 2020.

#### (XXVI) Taxes payable

Tax item	Closing balance	Balance at the end of last year
Enterprise income tax	9,158,719.30	5,052,251.01
Value-added tax	7,971,998.88	4,310.68
Real estate tax	2,626,835.15	2,808,933.91
Urban maintenance and construction tax	1,936,389.64	1,744,884.82
Land use tax	1,248,179.70	1,289,540.37
Individual income tax	1,002,314.01	775,312.74
Stamp duty	458,431.31	201,180.19
Education surcharge	321,315.05	116,508.68
Water conservancy construction funds	162,535.76	139,451.19
Environmental protection tax	125,834.10	446,418.60
<b>Total</b>	<b>25,012,552.90</b>	<b>12,578,792.19</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXVII) Other payables

Item	Closing balance	Balance at the end of last year
Interests payable		
Dividends payable		19,689,811.54
Other payables	79,803,624.06	1,554,446,408.74
<b>Total</b>	<b>79,803,624.06</b>	<b>1,574,136,220.28</b>

#### 1. Dividends payable

Item	Closing balance	Balance at the end of last year
Dividend of ordinary shares		19,689,811.54
<b>Total</b>		<b>19,689,811.54</b>

#### 2. Other payables

##### (1) Payables stated by nature

Item	Closing balance	Balance at the end of last year
Other current account	29,567,551.63	172,026,230.95
Retention money and deposits	8,662,701.52	5,080,209.77
Amounts due to related parties	7,505,814.14	1,040,828,059.01
Amounts due to employees	2,974,823.53	5,419,175.67
Loans from non-financial institutions and interest thereon	31,092,733.24	331,092,733.34
<b>Total</b>	<b>79,803,624.06</b>	<b>1,554,446,408.74</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXVII) Other payables (Continued)

##### 2. Other payables (Continued)

##### (2) Other major payables aged more than one year

Item	Closing balance	Reasons for outstanding or carried forward
Jiangsu Zhangjiagang Economic Development Zone Industrial Corporation (江蘇省張家港經濟開發區實業總公司).	31,092,733.24	Not settled

#### (XXVIII) Non-current liabilities due within one year

Items	Closing balance	Balance at the end of last year
Long-term borrowings due within one year	26,498,392.25	141,104,396.72
Long-term payables due within one year	280,124,551.62	394,217,469.08
Lease liabilities due within one year	2,665,221.28	4,639,378.38
Less: Amortized sale-and-lease back service payments due within one year	4,185,600.03	6,927,600.00
<b>Total</b>	<b>305,102,565.12</b>	<b>533,033,644.18</b>



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXVIII) Non-current liabilities due within one year (Continued)

Explanations on long-term borrowings due within one year:

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
Hefei Science & Technology Rural Commercial Bank Co., Ltd. Xinzhan Sub-branch (合肥科技農村商業銀行股份有限公司新站支行)	23,383,342.49	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Chang'an Bank Limited Xianyang Caihong Sub-branch (長安銀行股份有限公司咸陽彩虹支行)	2,317,458.34	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
<b>Total</b>	<b>25,700,800.83</b>	

Pledged borrowings:

Lender	Borrowing balance	Pledge
Bank of Xi'an Co., Ltd. Xianyang Branch (西安銀行股份有限公司咸陽分行)	797,591.42	Certificate of deposit
<b>Total</b>	<b>797,591.42</b>	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXVIII) Non-current liabilities due within one year (Continued)

Explanations on long-term payables due within one year:

Lender	Borrowing balance	Collateral/guarantor
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	100,920,805.89	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	45,150,000.00	IRICO Group Corporation Limited* (彩虹集團有限公司)
AVIC International Leasing Co., Ltd. (中航國際租賃有限公司)	44,000,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有限公司)
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	35,697,745.73	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司)	32,356,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
International Far Eastern Leasing Co., Ltd.* (遠東國際租賃有限公司)	17,000,000.00	Fixed assets/IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVIII) Non-current liabilities due within one year (Continued)

Lender	Borrowing balance	Collateral/guarantor
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	4,000,000.00	Fixed assets/IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)/ IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	1,000,000.00	Fixed assets/IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司), IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司)
<b>Total</b>	<b>280,124,551.62</b>	

(XXIX) Other current liabilities

Item	Closing balance	Balance at the end of last year
Taxes	9,564,881.86	6,675,591.27
<b>Total</b>	<b>9,564,881.86</b>	<b>6,675,591.27</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXX) Long-term borrowings

Classification of Long-term borrowings:

Item	Closing balance	Balance at the end of last year
Guaranteed loans	202,230,300.00	130,021,800.00
Pledged loans	27,830,000.00	
Credit loans		2,300,000.00
<b>Total</b>	<b>230,060,300.00</b>	<b>132,321,800.00</b>

Explanations on classification of long-term borrowings:

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
Chang'an Bank Limited Xianyang Caihong Sub-branch (長安銀行股份有限公司 咸陽彩虹支行)	135,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Bank of Xi'an Co., Ltd. Xianyang Branch (西安銀行股份有限公司咸陽分行)	50,000,000.00	IRICO Group Corporation Limited* (彩虹集團有限公司)
Hefei Science & Technology Rural Commercial Bank Co., Ltd. Xinzhan Sub-branch (合肥科技農村商業銀行 股份有限公司新站支行)	17,230,300.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
<b>Total</b>	<b>202,230,300.00</b>	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXX) Long-term borrowings (Continued)

Pledged borrowings:

Lender	Borrowing balance	Pledge
Bank of Xi'an Co., Ltd. Xianyang Branch (西安银行股份有限公司咸陽分行)	27,830,000.00	Certificate of deposit
Total	27,830,000.00	

#### (XXXI) Lease liabilities

Item	Closing balance	Balance at the end of last year
Lease payments	9,190,023.49	17,161,453.69
Less: Unrecognized financing expenses	3,473,773.50	6,499,946.78
Total	5,716,249.99	10,661,506.91

#### (XXXII) Long-term payables

Items	Closing balance	Balance at the end of last year
Long-term payables Special payables	109,108,886.69	213,076,889.47
Total	109,108,886.69	213,076,889.47

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXXII) Long-term payables (Continued)

##### 1. Long-term payables

Item	Closing balance	Balance at the end of last year
Rental for sale and leaseback	114,598,586.72	221,201,980.67
Unrecognized financing expenses	-5,489,700.03	-8,125,091.20
<b>Total</b>	<b>109,108,886.69</b>	<b>213,076,889.47</b>

Explanation on long-term payables:

Lender	Borrowing balance	Collateral/guarantor
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	65,520,809.10	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
AVIC International Leasing Co., Ltd. (中航國際租賃有限公司)	18,500,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有限公司)
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	17,777,777.62	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司)	11,800,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
International Far Eastern Leasing Co., Ltd.* (遠東國際租賃有限公司)	1,000,000.00	Fixed assets/IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
<b>Total</b>	<b>114,598,586.72</b>	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXXIII) Long-term employee benefits payable

##### 1. Breakdown of long-term employee benefits payable

Item	Closing balance	Balance at the end of last year
I. Post-employment benefits – Defined net liabilities of benefit scheme		
II. Termination benefits	3,974,743.13	9,537,743.87
III. Other Long-term benefits		
<b>Total</b>	<b>3,974,743.13</b>	<b>9,537,743.87</b>

#### (XXXIV) Deferred income

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance	Source
Government grants	70,110,797.81		3,203,783.09	66,907,014.72	Allotment
<b>Total</b>	<b>70,110,797.81</b>		<b>3,203,783.09</b>	<b>66,907,014.72</b>	

##### Projects involving government grants:

Liabilities	Balance at the end of last year	New grants during the period	Amount included in profit or loss during the period	Other changes	Closing balance	Related to assets/related to income
Local incentives fund	64,017,712.56		1,550,697.84		62,467,014.72	Related to assets
Construction of Phase IV solar photovoltaic glass and coated tempered glass production line	4,640,000.00		200,000.00		4,440,000.00	Related to assets
Special government grants	1,453,085.25		196,452.50	-1,256,632.75		
<b>Total</b>	<b>70,110,797.81</b>		<b>1,947,150.34</b>	<b>-1,256,632.75</b>	<b>66,907,014.72</b>	

Note: Other decreases were due to the transfer of equity interest in IRICO New Material during the reporting period, and were excluded from the influence of consolidation scope.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXXV) Share capital

Item	Balance at the end of last year	Issue of new shares	Increase(+)/decrease (-) for the period			Subtotal	Closing balance
			Bonus issue	transferred from reserve	Others		
Total shares	2,232,349,400.00	1,294,092,000.00				1,294,092,000.00	3,526,441,400.00

#### (XXXVI) Capital reserve

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Capital premium (Share premium)	559,458,789.57		12,490,399.46	546,968,390.11
Other capital reserve	384,072,654.53			384,072,654.53
Total	943,531,444.10		12,490,399.46	931,041,044.64

*Note:* The decrease in the capital premium of RMB12,490,399.46 for the period was mainly due to the reduction in capital reserve of RMB5,735,415.74 as a result of the issuance of new shares by the Company at a discount, and the decrease in capital reserve of RMB6,754,983.72 as a result of the payment of issuing fee.



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXXVII) Other comprehensive income

Item	Balance at the end of last year	Amount before tax for the period	Amount for the period		Less: Income tax	Attributable to the parent company after tax	Attributable to minority interests after tax	Closing balance
			Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income	Less: Amount transferred to retained earnings for the period for those previously included in other comprehensive income				
1. Other comprehensive income that will not be reclassified to profit or loss	-232,032,822.07	57,585,461.10				57,585,461.10		-174,447,360.97
Changes in fair value of investments in other equity instruments	-232,032,822.07	57,585,461.10				57,585,461.10		-174,447,360.97
2. Other comprehensive income that will be reclassified to profit or loss	550,823.49		550,823.49			-550,823.49		
Exchange differences from translation of foreign currency financial statements	550,823.49		550,823.49			-550,823.49		
Total other comprehensive income	-231,481,998.58	57,585,461.10	550,823.49			57,034,637.61		-174,447,360.97

#### (XXXVIII) Surplus reserve

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	22,477,267.06			22,477,267.06
Total	22,477,267.06			22,477,267.06

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XXXIX) Undistributed profits

Item	Amount for the period	Amount for the previous period
Undistributed profits at end of last year before adjustment	-2,778,892,693.43	-2,872,034,688.32
Adjustment for undistributed profits at beginning of year (“+” for plus; “-” for less)		
Undistributed profits at beginning of year after adjustment	-2,778,892,693.43	-2,872,034,688.32
Add: Net profit attributable to owners of the parent company during the period	219,661,691.05	93,141,994.89
Less: Withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserve		
Dividend payable on ordinary shares		
Ordinary shares dividends transferred to share capital		
Undistributed profits at end of period	-2,559,231,002.38	-2,778,892,693.43

#### (XL) Operating revenue and operating costs

##### 1. Operating revenue and operating costs

Item	Amounts for the period		Amounts for the previous period	
	Revenue	Costs	Revenue	Costs
Main businesses	2,488,595,613.54	1,927,296,450.34	2,196,870,161.45	1,931,490,081.62
Other businesses	29,913,412.26	13,913,024.50	48,242,629.09	34,956,647.07
Total	2,518,509,025.80	1,941,209,474.84	2,245,112,790.54	1,966,446,728.69

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XL) Operating revenue and operating costs (Continued)

1. *Operating revenue and operating costs (Continued)*

Details of operating revenue:

Item	Amount for the period	Amount for the previous year
Sub-total of revenue from principal businesses:	2,488,595,613.54	2,196,870,161.45
Photovoltaic glass	1,609,192,547.95	1,300,346,547.60
New materials	697,895,372.81	603,399,924.54
Solar cells and components	153,180,277.11	265,914,030.53
Revenue from power generation	28,327,415.67	27,209,658.78
Sub-total of revenue from other businesses:	29,913,412.26	48,242,629.09
Sales of materials	17,180,321.24	23,919,681.17
Premises leasing	10,039,855.66	10,340,393.74
Sales of scraps	1,436,537.88	2,082,160.92
Others	1,256,697.48	11,900,393.26
<b>Total</b>	<b>2,518,509,025.80</b>	<b>2,245,112,790.54</b>

2. *Revenue from contract*

Revenue by contract	Solar photovoltaic and module business segment	New materials business segment	Others	Intersegment eliminations	Total
Principal operating revenue	1,790,700,240.73	697,895,372.81			2,488,595,613.54
Other operating revenue			29,913,412.26		29,913,412.26
<b>Total</b>	<b>1,790,700,240.73</b>	<b>697,895,372.81</b>	<b>29,913,412.26</b>		<b>2,518,509,025.80</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XL) Operating revenue and operating costs (Continued)

3. *Revenue by geographical region*

	Amount for the period	Amount for the previous year
The PRC (excluding Hong Kong)	2,379,482,211.26	2,063,778,167.17
Hong Kong		
Other countries	139,026,814.54	181,334,623.37
Total	2,518,509,025.80	2,245,112,790.54

4. *Information about major customers*

In 2020, the Company has one customer which individually represented over 10% of the Company's total external sales.

The external sales to the major customers during the year are as follows:

Customer	2020	2019
Customer A	299,965,022.23	
Total	299,965,022.23	

The revenue of Customer A for the year was from the products of photovoltaic glass business.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XL) Operating revenue and operating costs (Continued)

#### 5. Performance obligation

When the Company has implemented the performance obligation in the contract, namely, when the customer obtains the right to control relevant assets (goods or services), revenues will be recognized. Whether performance obligations satisfied over time or at a point in time is based on the terms of contracts and related law regulations. The Company satisfies a performance obligation over time, if one of the following criteria is met:

1. the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs.
2. the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
3. the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If the performance obligations satisfied over time, the Company will recognise revenue via contract performance schedule, otherwise the Company shall recognise revenue at a point in time when customer obtains control of relevant asset. Performance schedule is based on the value of the goods that have been transferred to the customer to determine the contract performance schedule.

(XLI) Taxes and surcharges

Item	Amount for the period	Amount for the previous period
Real estate tax	6,114,736.01	6,058,257.91
Land use tax	2,397,310.04	1,992,646.04
Stamp duty	1,823,116.52	1,200,452.40
Water conservancy construction funds	1,624,118.45	1,133,236.93
Urban maintenance and construction tax	627,084.17	400,253.83
Education surcharge	575,523.58	387,418.44
Others	237,630.87	723,480.00
Total	13,399,519.64	11,895,745.55

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XLII) Selling expenses

Item	Amount for the period	Amount for the previous period
Transportation expenses	73,811,328.72	57,744,920.34
Payroll	5,459,131.68	4,886,636.97
Commission and handling fees	2,715,810.88	2,616,093.68
Traveling expenses	1,554,941.26	1,748,666.00
Advertising and promotion expenses	168,854.53	606,388.35
Entertainment expenses	512,490.98	513,983.87
Consultancy expenses		417,943.37
Others	2,041,065.77	1,199,818.56
<b>Total</b>	<b>86,263,623.82</b>	<b>69,734,451.14</b>

#### (XLIII) Administrative expenses

Item	Amount for the period	Amount for the previous period
Repair maintenance expenses	40,609,483.10	23,242,582.67
Payroll	36,951,132.71	29,429,043.56
Depreciation and amortisation	30,063,628.67	23,662,834.20
Loss on shutdown	27,031,878.45	27,869,002.47
Agency expenses	10,317,686.85	6,314,052.26
Insurance	3,112,672.29	393,757.31
Audit fees	2,660,377.36	2,660,377.36
Office expenses	1,572,672.03	1,152,270.40
Traveling expenses	1,388,911.11	1,731,897.07
Consultancy expenses	413,917.01	608,886.49
Entertainment expenses	514,862.37	566,737.59
Others	10,921,306.67	10,847,113.06
<b>Total</b>	<b>165,558,528.62</b>	<b>128,478,554.44</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XLIV) Research and development expenses

Item	Amount for the period	Amount for the previous period
Materials costs	36,686,470.41	23,779,092.79
Power expenses	15,014,578.35	11,801,187.36
Employee benefits	14,108,195.41	13,453,868.55
Depreciation	252,334.88	326,450.58
Others	616,477.94	1,099,480.10
<b>Total</b>	<b>66,780,214.13</b>	<b>50,460,079.38</b>

#### (XLV) Finance costs

Item	Amount for the period	Amount for the previous period
Interest expenses	116,589,732.43	109,203,148.48
Including: Interest expenses on lease liabilities	749,424.42	848,791.05
Less: Interest income	8,629,348.73	10,864,454.05
Exchange gains or losses	17,839,167.47	-522,593.72
Handling fees and others	15,210,489.94	8,861,388.26
<b>Total</b>	<b>141,010,041.11</b>	<b>106,677,488.97</b>

#### (XLVI) Other incomes

Item	Amount for the period	Amount for the previous period
Government grants	46,616,782.08	64,953,208.93
Suspension of production subsidies for Xianyang Photovoltaic	20,280,000.00	106,943,233.00
Individual tax handling fees	22,896.98	
<b>Total</b>	<b>66,919,679.06</b>	<b>171,896,441.93</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XLVI) Other incomes (Continued)

Government grants included in other incomes:

Item	Amount for the period	Amount for the previous period	Related to assets/ Related to income
Subsidies to special hardship enterprises	26,330,000.00	20,307,040.00	Related to income
Subsidy for stabilizing employment	5,855,260.39	1,563,105.00	Related to income
Cash out of subsidy policy for photovoltaic power station sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in 2019	3,144,367.50	4,903,192.50	Related to income
Awards and grants for industrialization development policy projects sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in the first half of 2020	1,805,200.00	784,200.00	Related to income
Local incentives fund	1,550,697.84	1,550,697.84	Related to assets
Subsidy for photovoltaic industry supportive policy project for encouraging enterprises to increase production and sales in Hefei	1,536,000.00	1,140,000.00	Related to income
Summary sheet of "retrospective Incentive" projects on green and ecological development for 2019	1,000,000.00		Related to income
District-level supporting for awards and subsidies for industrial fixed assets investment sponsored from the Economic and Trade Development Bureau of Xinzhan District in Hefei	784,200.00		Related to income
Incentives for the products sales from the Department of Finance of Shaanxi Province	690,000.00		Related to income
Proposed projects supported under robot industry development policies for 2019	502,000.00		Related to income
Rewards and subsidies for "improving large enterprises" for the year of 2019	500,000.00		Related to income
Subsidies by government for the production lines of solar photovoltaic glass and coated tempered glass	200,000.00	200,000.00	Related to assets



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XLVI) Other incomes (Continued)

Item	Amount for the period	Amount for the previous period	Related to assets/ Related to income
Green Manufacturing System Integration Project sponsored by the Economic and Information Bureau of Hefei City in 2016		8,775,000.00	Related to income
Subsidies for projection tubes and projection components projects		7,000,000.00	Related to income
Cash out of equipment financing lease business carried out by manufacturing companies		5,000,000.00	Related to income
Cash out of subsidy policy for photovoltaic power station sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in 2018		3,133,447.50	Related to income
Research and development and application of technologies on phosphor powder for triphosphor energy-saving lamps with small particles and low consumption and its industrialization		2,430,000.00	Related to assets
Research and development and industrialization of photoreceptive electrode paste for PDP	98,020.97	2,001,277.88	Related to assets
Other small government grants	2,621,035.38	6,365,248.21	Related to assets/ Related to income
<b>Total</b>	<b>46,616,782.08</b>	<b>64,953,208.93</b>	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XLVII) Investment gains

Item	Amount for the period	Amount for the previous period
Investment gains from disposal of long-term equity investment	73,877,247.66	2,062,951.51
Investment income from disposal of financial assets at fair value through profit and loss	663,514.25	713,165.07
Gains from CSC-China Electronics third tranches of ABS secondary income right	159,706.55	
Gains from long-term equity investments measured under equity method	-1,784,333.19	356,875.10
Bills discounted interest of receivables financing	-8,271,153.04	-5,033,328.70
Income from derecognition of financial asset at the amortized cost	-12,118,264.61	-3,954,793.74
Gains from remeasurement of the remaining equity at fair value after the loss of control		8,619,007.14
<b>Total</b>	<b>52,526,717.62</b>	<b>2,763,876.38</b>

#### (XLVIII) Gains from changes in fair value

The source of gains from changes in fair value	Amount for the period	Amount for the previous period
Held-for-trading financial assets	-155,343.46	-5,294.81
Including: Financial assets at fair value through profit and loss	-155,343.46	-5,294.81
<b>Total</b>	<b>-155,343.46</b>	<b>-5,294.81</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (XLIX) Credit impairment losses

Item	Amount for the period	Amount for the previous period
Losses on bad debts of account receivables	-4,640,382.84	2,523,268.44
Losses on bad debts of other receivables	3,317,189.51	1,530,137.88
<b>Total</b>	<b>-1,323,193.33</b>	<b>4,053,406.32</b>

*Note:* During the reporting period, IRICO New Material, a former subsidiary of the Company, recovered the written-off accounts receivable of RMB52,654.87, offsetting the credit impairment losses.

#### (L) Asset impairment losses

Item	Amount for the period	Amount for the previous period
Losses on decline in the value of inventory	9,426,259.82	
Construction in progress impairment losses	2,573,004.40	
Goodwill impairment losses		1,991,116.32
<b>Total</b>	<b>11,999,264.22</b>	<b>1,991,116.32</b>

#### (LI) Gains from disposal of assets

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains from disposal of fixed assets and construction in progress	-51,228,223.47	146,297.50	-51,228,223.47
<b>Total</b>	<b>-51,228,223.47</b>	<b>146,297.50</b>	<b>-51,228,223.47</b>

*Note:* During the reporting period, the losses from disposal of assets of the Company from disposal of idle fixed assets and construction in progress of Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期項目) amounted to RMB51,228,223.47.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (LII) Non-operating income

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains from liquidated damages	68,580.43		68,580.43
Forfeiture and penalty income	4,990.20	9,448.20	4,990.20
Government grants not related to daily activities of the enterprise		20,000.00	
Insurance compensation <sup>note 1</sup>	4,670,000.00	3,874,325.65	4,670,000.00
Others <sup>note 2</sup>	4,810,744.40	3,874,325.65	4,810,744.40
Total	9,703,012.20	3,903,773.85	9,703,012.20

*Note 1:* Ping An Property & Casualty Insurance Company of China, Ltd. has paid the insurance compensation of RMB4.67 million because the sensitivity of photoresists products supplied by IRICO New Material, a former subsidiary of the Company, cannot meet users' requirements;

*Note 2:* The payables for supplies of RMB4.74 million by the Company to Xianyang Caiqin Electronics Device Co., Ltd. which has been canceled, was transferred to non-operating income in accordance with the legal opinions issued by lawyers and the approval by the Board of the Company.

Details of government grants included in gains from non-operating activities:

Item	Amount for the period	Amount for the previous period	Related to assets/ related to income
Start-up fund of Intellectual Property Administration of Shaanxi Province to implement benchmark		20,000.00	Related to income
Total		20,000.00	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (LIII) Non-operating expenses

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Losses on destroy or scrap of non-current assets	18,155.63	76,333.93	18,155.63
Forfeiture and penalty expenses		82.79	
Others	34,325.19	7,848,790.80	34,325.19
Total	52,480.82	7,925,207.52	52,480.82

#### (LIV) Income tax expenses

##### 1. Table of income tax expenses

Item	Amount for the period	Amount for the previous period
Income tax expenses for the current period	12,630,546.42	2,805,562.17
Deferred income tax expenses	-42,924,955.47	-735,571.77
Total	-30,294,409.05	2,069,990.40

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (LV) Income tax expenses (Continued)

##### 2. Adjustment of accounting profit and income tax expenses

Item	Amount for the period
Total profit	171,324,913.88
Income tax expenses calculated based on the statutory or applicable tax rate	25,698,737.08
Impact of different applicable tax rates to subsidiaries	848,896.53
Impact of income tax for the period before adjustment	1,990,479.15
Impact of non-taxable income	-2,686,749.20
Impact of cost, expenses and losses not deductible for tax	
Impact of utilization of deductible loss of deferred income tax assets not recognized for the previous period	-56,145,772.61
Impact of deductible temporary differences or deductible loss of deferred income tax assets not recognized for the period	
Income tax expenses	-30,294,409.05

#### (LV) Earnings per share

##### 1. Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to holders of ordinary shares of the parent company by weighted average number of ordinary shares in issue of the Company:

Item	Amount for the period	Amount for the previous period
Consolidated net profit attributable to holders of ordinary shares of the parent company	219,661,691.05	93,141,994.89
Weighted average number of ordinary shares in issue of the Company	2,663,713,400.00	2,232,349,400.00
Basic earnings per share	0.0825	0.0417
Including: Basic earnings per share relating to continuing operations	0.0825	0.0417
Basic earnings per share relating to discontinued operations		

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LV) Earnings per share (Continued)

1. *Basic earnings per share (Continued)*

The weighted average of ordinary shares is calculated as follows:

Item	Amount for the period	Amount for the previous period
Number of ordinary shares in issue at the beginning of year	2,232,349,400.00	2,232,349,400.00
Add: Weighted number of ordinary shares issued during the period	431,364,000.00	
Less: Weighted number of ordinary shares repurchased during the period		
Weighted number of ordinary shares in issue at the end of year	2,663,713,400.00	2,232,349,400.00

2. *Diluted earnings per share*

Diluted earnings per share is calculated by consolidated net profit attributable to holders of ordinary shares of the parent company (diluted) by the weighted average number of ordinary shares in issue of the Company (diluted):

Item	Amount for the period	Amount for the previous period
Consolidated net profit attributable to holders of ordinary shares of the parent company (diluted)	219,661,691.05	93,141,994.89
Weighted average number of ordinary shares in issue of the Company (diluted)	2,663,713,400.00	2,232,349,400.00
Diluted earnings per share	0.0825	0.0417
Including: Diluted earnings per share relating to continuing operations	0.0825	0.0417
Diluted earnings per share relating to discontinued operations		

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (LV) Earnings per share (Continued)

##### 2. Diluted earnings per share (Continued)

Weighted average number (diluted) of ordinary shares is calculated as follows:

Item	Amount for the period	Amount for the previous period
Weighted average number of ordinary shares in issue at the end of year when the basic earnings per share is calculated	2,663,713,400.00	2,232,349,400.00
Effects of convertible bonds		
Effects of share options		
Weighted average number (diluted) of ordinary shares at the end of the year	2,663,713,400.00	2,232,349,400.00

#### (LVI) Supplementary information of income statement-classification of expenses by nature

Operating costs, selling expenses, administrative expenses, research and development expenses and finance costs in income statement classified by nature were set out as follows:

Item	Amount for the period	Amount for the previous period
Expenses of material, fuel and labor, etc.	1,656,550,804.63	1,966,446,728.69
Payroll	176,220,942.42	47,769,549.08
Depreciation and amortisation	157,913,339.68	23,989,284.78
Finance expenses	141,010,041.11	106,677,488.97
Transportation expenses	73,811,328.72	57,744,920.34
Materials costs	41,566,179.77	23,779,092.79
Repair maintenance expenses	40,609,483.10	23,242,582.67
Loss on shutdown	27,031,878.45	27,869,002.47
Power expenses	20,477,910.76	11,801,187.36
Agency expenses	12,978,064.21	8,974,429.62
Others	52,651,909.67	23,503,035.85
<b>Total</b>	<b>2,400,821,882.52</b>	<b>2,321,797,302.62</b>



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVII) Items of statement of cash flows

1. *Cash received relating to other operating activities*

Item	Amount for the period	Amount for the previous period
Recovery of accounts receivable, deposits and others	937,511,909.82	681,523,979.76
Government subsidies received	18,362,528.72	37,646,168.93
Interest income received	8,027,829.21	10,864,454.05
<b>Total</b>	<b>963,902,267.75</b>	<b>730,034,602.74</b>

2. *Cash paid relating to other operating activities*

Item	Amount for the period	Amount for the previous period
Payment of accounts payable, deposits and others	848,418,587.13	587,774,950.31
Transportation costs	21,384,355.01	45,726,089.76
Agency fees	15,523,667.90	2,940,000.00
Insurance	5,474,455.61	410,929.82
Commission and handling charges	4,019,911.32	1,051,446.22
Traveling expenses	3,507,019.66	2,161,657.62
Rental and property management fee	1,349,664.63	840,433.12
Office expenses	209,735.30	874,653.08
Advertisement fees	7,274.63	636,331.70
Others	17,657,657.11	23,917,153.02
<b>Total</b>	<b>917,552,328.30</b>	<b>666,333,644.65</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVII) Items of statement of cash flows (Continued)

3. *Cash received relating to other investing activities*

Item	Amount for the period	Amount for the previous period
Investment in shares and wealth management	1,147,749.03	1,334,699.71
<b>Total</b>	<b>1,147,749.03</b>	<b>1,334,699.71</b>

4. *Cash paid relating to other investing activities*

Item	Amount for the period	Amount for the previous period
Payment for purchase of shares	481,347.73	3,277,030.71
Handling charges for equity transfer transaction	90,823.40	
Disposal of IRICO Group Electronics (Hong Kong) Company Limited	18,525.63	
<b>Total</b>	<b>590,696.76</b>	<b>3,277,030.71</b>

5. *Cash received relating to other financing activities*

Item	Amount for the period	Amount for the previous period
Payment received from financing lease	260,500,000.00	
Borrowing received from IRICO Group and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)	22,138,730.79	907,544,674.65
<b>Total</b>	<b>282,638,730.79</b>	<b>907,544,674.65</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVII) Items of statement of cash flows (Continued)

6. *Cash paid relating to other financing activities*

Item	Amount for the period	Amount for the previous period
Borrowing, handling charges and deposits	1,825,840,290.39	841,412,206.78
Payment of lease liabilities and interest	311,513.30	848,791.05
Interest of bill discount	5,311,440.04	8,988,122.44
<b>Total</b>	<b>1,831,463,243.73</b>	<b>851,249,120.27</b>

(LVIII) Supplementary information of statement of cash flows

1. *Supplementary information of statement of cash flows*

Supplementary information	Amount for the period	Amount for the previous period
1. Reconciliation of net profit as cash flows from operating activities		
Net profit	201,619,322.93	74,085,116.66
Add: Credit impairment losses	-1,323,193.33	4,053,406.32
Provision for impairment of assets	11,999,264.22	1,991,116.32
Depreciation of fixed assets	145,711,244.10	120,200,790.30
Depreciation of productive biological assets		
Depreciation of oil and gas assets		
Amortisation of right-of-use assets	3,690,067.87	2,984,487.37
Amortisation of intangible assets	7,802,633.28	6,140,713.44
Amortisation of long-term deferred expenses	709,394.43	419,395.35
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	51,228,223.47	-146,297.50
Loss on retirement of fixed assets ("-" denotes gain)	18,155.63	76,333.93

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVIII) Supplementary information of statement of cash flows (Continued)

1. *Supplementary information of statement of cash flows (Continued)*

Supplementary information	Amount for the period	Amount for the previous period
Loss on changes in fair value ("-" denotes gain)	155,343.46	5,294.81
Finance expenses ("-" denotes gain)	116,589,732.43	109,203,148.48
Investment losses ("-" denotes gain)	-52,526,717.62	-2,763,876.38
Decrease in deferred income tax assets ("-" denotes increase)	-42,288,594.46	-707,025.50
Increase in deferred income tax liabilities ("-" denotes decrease)	-636,361.01	-28,546.27
Decrease in inventories ("-" denotes increase)	-19,736,284.47	11,577,741.45
Decrease in operating receivables ("-" denotes increase)	-11,759,275.29	-160,161,145.34
Increase in operating payables ("-" denotes decrease)	-225,655,019.14	261,460,645.94
Others		
Net cash flows from operating activities	185,597,936.50	428,391,299.38
2. Major investing and financing activities not involving cash settlements		
Conversion of debts to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents		
Closing balance of cash	393,496,091.98	163,386,562.37
Less: Opening balance of cash	163,386,562.37	128,620,277.04
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	230,109,529.61	34,766,285.33

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVIII) Supplementary information of statement of cash flows (Continued)

2. *Net cash received from disposal of subsidiaries in the period*

	Amount
Cash and cash equivalents received from disposal of subsidiaries in the period	226,335,420.00
Including: Shaanxi IRICO New Material Co., Ltd*	143,557,920.00
IRICO Group Electronics (Hong Kong) Company Limited	
Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司)	52,050,000.00
Jiangsu IRICO Yongneng New Energy Company Limited*	30,727,500.00
Less: Cash and cash equivalents held by subsidiaries on the date of loss of control	40,070,146.29
Including: Shaanxi IRICO New Material Co., Ltd*	9,730,101.72
IRICO Group Electronics (Hong Kong) Company Limited	18,525.63
Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司)	4,280,485.85
Jiangsu IRICO Yongneng New Energy Company Limited*	26,041,033.09
Add: Cash and cash equivalents received in the period from disposal of subsidiaries in the previous period	
Net cash received from disposal of subsidiaries	186,265,273.71
Including: IRICO Group Electronics (Hong Kong) Company Limited	-18,525.63

*Note:* Net cash received from disposal of subsidiary, IRICO Group Electronics (Hong Kong) Company Limited, is RMB-18,525.63, which is listed in the item of "Cash paid relating to other investing activities" in the Statement of Cash Flows; and the remaining RMB186,283,799.34 is listed in the item of "Net cash received from disposal of subsidiaries and other business entities".

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVIII) Supplementary information of statement of cash flows (Continued)

#### 3. Composition of Cash and cash equivalents

Item	Amount for the period	Amount for the previous period
I. Cash	393,496,091.98	163,386,562.37
Including: Cash on hand		9,631.61
Bank deposits readily available for payment	393,496,091.98	163,376,930.76
Other monetary funds readily available for payment		
Deposits with the central bank available for payment		
Deposits with banks and other financial institutions		
Loans from banks and other financial institutions		
II. Cash equivalents		
Including: Bond investment due in three months		
III. Closing balance of cash and cash equivalents	393,496,091.98	163,386,562.37
Including: Restricted cash and cash equivalents of the parent company or subsidiaries within the Group		

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LIX) Assets with restricted ownerships or right to use

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	280,789,147.90	Security deposit for bank acceptance bills
Monetary funds	40,000,000.00	Pledge of fixed deposit receipt
Monetary funds	3,500,000.00	Deposit for letter of credit
Monetary funds	124,030.12	Frozen deposit of litigation
Receivables financing	204,388,876.46	Pledged borrowings
Other investments in equity instrument	235,601,982.18	Pledge of equity
Fixed assets	1,097,251,218.09	Mortgaged borrowings and leaseback
<b>Total</b>	<b>1,861,655,254.75</b>	

(LX) Foreign currency items

1. *Foreign currency items*

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			1,997,740.47
Including: USD	294,646.30	6.5249	1,922,537.63
HKD	89,352.74	0.84164	75,202.84

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (LXI) Government grants

##### 1. Asset-related government grants

Type	Project balance	Items included in balance sheet	Amount recorded in current profit or loss or offsetting relevant costs or losses		Items recorded in current profit or loss or offsetting relevant costs or losses
			Amount for the period	Amount for the previous period	
Local government incentives	62,467,014.72	Deferred income	1,550,697.84	1,550,697.84	Other income
Subsidies by government for the production lines of solar photovoltaic glass and coated tempered glass	4,440,000.00	Deferred income	200,000.00	200,000.00	Other income
Research and development and industrialization of phosphor powder for high-performance PDP			98,020.97	2,001,277.88	Other income
Research and development and industrialization of photoreceptive electrode paste for PDP			54,989.70	101,846.40	Other income
Research and development and industrialization of LED devices with high photosynthetic efficiency and colour rendering and low colour temperature and power			33,505.32	33,505.32	Other income
Research and development and industrialization of phosphor powder for LCD backlight CCFL			9,936.51	46,753.66	Other income
Research and development and application of technologies on phosphor powder for triphosphor energy-saving lamps with small particles and low consumption and its industrialization				2,430,000.00	Other income
Technological research and development and industrialization of high nickel ternary material NCM811				400,000.00	Other income
Project on anode materials for high-end power ternary cells				1,520,000.00	Other income
<b>Total</b>	<b>66,907,014.72</b>		<b>1,947,150.34</b>	<b>8,284,081.10</b>	



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (LXI) Government grants (Continued)

##### 2. Income-related government grants

Type	Amount	Amount recorded in current profit or loss or offsetting relevant costs or losses		Items recorded in current profit or loss or offsetting relevant costs or losses
		Amount for the period	Amount for the previous period	
Subsidies to special hardship enterprises	26,330,000.00	26,330,000.00	20,307,040.00	Other income
Subsidy for stabilizing employment	5,855,260.39	5,855,260.39	1,563,105.00	Other income
Cash out of subsidy policy for photovoltaic power station sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in 2019	3,144,367.50	3,144,367.50	4,903,192.50	Other income
Awards and grants for industrialization development policy projects sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in the first half of 2020	1,805,200.00	1,805,200.00	784,200.00	Other income
Subsidy for photovoltaic industry supportive policy project for encouraging enterprises to increase production and sales in Hefei	1,536,000.00	1,536,000.00	1,140,000.00	Other income
Summary sheet of "retrospective Incentive" projects on green and ecological development for 2019	1,000,000.00	1,000,000.00		Other income
District-level supporting for awards and subsidies for industrial fixed assets investment sponsored from the Economic and Trade Development Bureau of Xinzhan District in Hefei	784,200.00	784,200.00		Other income
Incentives for the products sales from the Department of Finance of Shaanxi Province	690,000.00	690,000.00		Other income
Proposed projects supported under robot industry development policies for 2019	502,000.00	502,000.00		Other income
Rewards and subsidies for "improving large enterprises" for the year of 2019	500,000.00	500,000.00		Other income
Green Manufacturing System Integration Project sponsored by the Economic and Information Bureau of Hefei City in 2016			8,775,000.00	Other income
Subsidies for projection tubes and projection components projects			7,000,000.00	Other income
Cash out of equipment financing lease business carried out by manufacturing companies			5,000,000.00	Other income
Cash out of subsidy policy for photovoltaic power station sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in 2018			3,133,447.50	Other income
Other small government grants	2,522,603.85	2,522,603.85	4,063,142.83	Other income
<b>Total</b>	<b>44,669,631.74</b>	<b>44,669,631.74</b>	<b>56,669,127.83</b>	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

#### (LXII) Dividend

As at 31 December 2020, the Board did not declare any dividend.

### VI. CHANGE IN SCOPE OF CONSOLIDATION

#### (I) Disposal of subsidiaries

##### 1. Loss of control over investment in subsidiaries in a single disposal

Name of subsidiary	Consideration for disposal of equity interest	Percentage of disposal of equity interests (%)	Method for disposal of equity interests	Timing of losing control	Basis for determination of timing of losing control	Difference between consideration for disposal and net assets of the subsidiary attributable to the Company consolidated financial statements	Proportion of remaining equity interest at the date of loss of control	Book value of remaining equity interest at the date of loss of control	Fair value of remaining equity interest at the date of loss of control	Gain or loss arising from the remaining equity interest re-measured at fair value	Recognition and major assumption for fair value of remaining equity interest at the date of loss of control	Investment profit or loss arising from transformation of other comprehensive income which is related to equity investment of former subsidiary
Shaanxi IRICO New Material Co., Ltd*	287,115,840.00	76.31	Agreement transfer	28 December 2020	Equity Transfer Agreement having becoming effective upon the approval by the independent shareholders at the extraordinary general meeting	54,075,948.99						
Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司)	104,100,000.00	100.00	Agreement transfer	28 December 2020	Equity Transfer Agreement having becoming effective upon the approval by the independent shareholders at the extraordinary general meeting	1,314,039.81						
Jiangsu IRICO Yongneng New Energy Company Limited*	61,455,000.00	51.00	Agreement transfer	28 December 2020	Equity Transfer Agreement having becoming effective upon the approval by the independent shareholders at the extraordinary general meeting	16,291,946.56						

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### VI. CHANGE IN SCOPE OF CONSOLIDATION (Continued)

- (II) IRICO Group Electronics (Hong Kong) Company Limited, a wholly-owned subsidiary by the Company, was canceled on 20 March 2020, and the scope of consolidation was narrowed down.

### VII. INTERESTS IN OTHER ENTITIES

- (I) Interests in subsidiaries

1. *Composition of enterprise group*

*Unit: 0'000*

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Registered capital	Shareholding ratio (%)		Method for acquisition
					Direct	Indirect	
IRICO (Hefei) Photovoltaic Co., Ltd.*	Hefei, Anhui	Hefei, Anhui	Production and sales of PV glass	115,000.00	100.00		Investment in establishment
IRICO Yan'an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司)	Yan'an, Shaanxi	Yan'an, Shaanxi	Production and sales of PV glass, Operation of solar photovoltaic power stations	30,000.00	100.00		Investment in establishment
Shaanxi IRICO Xinneng Glass Co., Ltd.* (陕西彩虹新能源玻璃有限公司)	Xianyang, Shaanxi	Xianyang, Shaanxi	Production and sales of inorganic non-metallic materials and products	35,000.00	100.00		Investment in establishment

None of subsidiaries had issued any debt securities at the end or at any time during the year ended 31 December 2020 (2019: nil).

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### VII. INTERESTS IN OTHER ENTITIES (Continued)

#### (II) Interests in joint arrangements or associates

##### 1. Aggregated financial information of insignificant joint ventures and associates

	Closing balance/ Amount for the period	Balance at the end of last year/ Amount for the previous period
Joint ventures:		
Total carrying amount of investments		35,411,684.42
Amounts in aggregate in proportion to the shareholdings		
– Net profit		-68,292.08
– Other comprehensive income		
– Total comprehensive income		-68,292.08
Associates:		
Total carrying amount of investments	11,730,970.89	32,965,945.69
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-3,360,158.71	-522,616.88
– Other comprehensive income		
– Total comprehensive income	-3,360,158.71	-522,616.88

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS

The Company is confronted with various financial risks in its operation: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risk.). The above financial risks and the risk management policies adopted by the Company to minimize such risks are listed as follows:

The overall objective of the Company's risk management is to develop a risk management policy that minimizes risks with undue impact on the Company's competitiveness and resilience.

#### (I) Credit risk

Credit risk refers to the risk that transaction counterparty fails to perform its obligations under the contract and causes financial losses to the Company.

The Company's credit risk mainly arises from cash at bank and on hand, bills receivable, accounts receivable, receivables financing, other receivables, debt investment, other debt investments, financial guarantee contracts, etc. as well as the investment in debt instruments at fair value through profit or loss and derivative financial assets that are not included in the impairment assessment scope.

The Company's cash at bank and on hand is mainly cash at bank deposited at state-owned banks and other large and medium-sized listed banks with good reputation and a higher credit rating. The Company considers that there is no significant credit risk and will rarely cause significant losses due to default by the banks.

In addition, the Company develops relevant policies to limit the credit risk exposure on bills receivable, accounts receivable, receivables financing, other receivables, etc. The Company assesses the credit quality of and sets respective credit periods on its customers by considering their financial position, the availability of guarantee from third parties, their credit record and other factors such as current market conditions. The Company regularly monitors the credit record of the customers. For customers with a poor credit history, the Company will issue written demand to them, or shorten or cancel the credit periods, so as to ensure the overall credit risk of the Company is limited to a controllable extent.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (Continued)

#### (II) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department conducts centralized control over liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts for cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances. Meanwhile, it continued to monitor whether the Company is in line with the requirements of borrowing agreements, and obtain the undertakings to provide sufficient reserve funds from major financial institutions, so as to meet its short-term and long-term capital needs.

The financial liabilities of the Company are analysed by their maturity date below at their undiscounted contractual cash flows:

Items	Closing balance				Total
	Immediately	Within 1 year	1-5 years	Over 5 years	
Short-term borrowings		675,191,483.33			675,191,483.33
Bills payable		832,003,867.38			832,003,867.38
Accounts payable		820,624,567.85			820,624,567.85
Other payables		79,803,624.06			79,803,624.06
Non-current liabilities due within one year		305,102,565.12			305,102,565.12
Long-term borrowings			282,896,587.96		282,896,587.96
Long-term payables			114,598,586.72		114,598,586.72
<b>Total</b>		<b>2,712,726,107.74</b>	<b>397,495,174.68</b>		<b>3,110,221,282.42</b>

Items	Balance at the end of last year				Total
	Immediately	Within 1 year	1-5 years	Over 5 years	
Short-term borrowings		584,392,230.44			584,392,230.44
Bills payable		652,957,552.71			652,957,552.71
Accounts payable		760,375,514.52			760,375,514.52
Other payables		1,574,136,220.28			1,574,136,220.28
Non-current liabilities due within one year		533,033,644.18			533,033,644.18
Long-term borrowings			144,583,554.31		144,583,554.31
Long-term payables			221,201,980.67		221,201,980.67
<b>Total</b>		<b>4,104,895,162.13</b>	<b>365,785,534.98</b>		<b>4,470,680,697.11</b>

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (Continued)

#### (III) Market risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes exchange rate risk, interest rate risk and other price risk.

##### 1. *Interest rate risk*

Interest rate risk is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market interest rate. The Company's interest rate risk mainly arises from short-term bank borrowings, long-term bank borrowings and long-term payable.

As at 31 December 2020, management considered that any reasonable changes in the interest rates would not result in a significant change in the Company's results. Accordingly, no sensitivity analysis is presented for interest rate risk.

##### 2. *Exchange rate risk*

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company continues to monitor the transactions in foreign currencies and the size of foreign currency assets and liabilities, in order to minimize the exchange rate risk. In addition, the Company may consider entering into forward exchange contract or currency swap contract to mitigate the foreign exchange risk. During the period and the previous period, the Company has not entered into any forward exchange contract or currency swap contract.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (Continued)

#### (III) Market risk (Continued)

##### 2. Exchange rate risk (Continued)

The exchange rate risk faced by the Company mainly arises from financial assets and financial liabilities denominated in US dollars. The amount of the financial assets and financial liabilities in foreign currencies converted into RMB is as follows:

Item	Closing balance			Balance at the end of the previous year		
	US dollars	Other foreign currency	Total	US dollars	Other foreign currency	Total
Monetary funds	1,922,537.63	75,202.84	1,997,740.47	7,343,063.15	12,942,041.94	20,285,105.09
Accounts receivable				1,424,018.36	14,398,475.33	15,822,493.69
Other receivables					41,281,857.68	41,281,857.68
Total	1,922,537.63	75,202.84	1,997,740.47	8,767,081.51	68,622,374.95	77,389,456.46

As at 31 December 2020, a 5% increase or decrease in RMB against USD, with all other variables held constant, would have increased or decreased the net profit of the Company by approximately RMB81,707.85 (31 December 2019: RMB372,600.96). The management considers that the 5% reasonably reflected the reasonable range of the possible change in Renminbi against USD for the next year.

##### 3. Other price risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market price other than the exchange rate risk and interest rate risk.

The other price risk faced by the Company mainly arises from investments in various equity instruments, with risks of changes in the price of equity instruments.



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (Continued)

#### (III) Market risk (Continued)

##### 3. Other price risk (Continued)

The equity investments in listed companies held by the Company are as below:

Items	Closing balance	Balance at the end of last year
Held-for-trading financial assets	335,160.70	2,863,047.11
Other investment in equity instruments	235,601,982.18	148,577,826.60
Total	235,937,142.88	151,440,873.71

The Company is exposed to equity price risk mainly arising from investments held by the Company that are classified as held-for-trading financial assets and other investments in equity instruments. Sensitivity analysis is performed by the management to assess the exposure of the Company's financial results to equity price risk of held-for-trading financial assets and other investments in equity instruments at the end of each reporting period.

### IX. DISCLOSURE OF FAIR VALUE

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the relevant assets or liabilities other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

Levels of the results of fair value measurement are decided by the lowest level of great significance in fair value measurement as a whole.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### IX. DISCLOSURE OF FAIR VALUE (Continued)

- (I) Fair value of assets and liabilities measured at fair value as at the end of the period

Items	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuing fair value measurement				
◆ Held-for-trading financial assets	335,160.70			335,160.70
Financial assets at fair value through profit and loss	335,160.70			335,160.70
– Investment in equity instruments	335,160.70			335,160.70
◆ Receivables financing			418,786,392.28	418,786,392.28
◆ Investment in other debt				
◆ Investment in other equity instruments	235,601,982.18		73,328,400.98	308,930,383.16
Total assets measured at fair value on a recurring basis	235,937,142.88		492,114,793.26	728,051,936.14

- (II) Basis for determining the market price of items persistently and non-persistently measured at fair value at the first level

The Company's investments in equity instruments which are persistently measured at level 1 fair value at the end of the period are publicly issued shares, and the fair value at the end of the period represents the share price as at 31 December 2020. The other investments in equity instruments measured at level 1 fair value are publicly issued shares of IRICO Display Devices Co., Ltd. held by the Company not for short-term trading, and the fair value at the end of the period represents the share price as at 31 December 2020.

- (III) Valuation techniques used and the qualitative and quantitative information of key parameters for items persistently and non-persistently measured at fair value at the Third level

- Other investments in equity instruments held by the Company which are measured at level 3 fair value represent 7.3% equity interest in Shaanxi Caihong Electronics Glass Co., Ltd., which is an unlisted company. Fair value is determined by using the net asset basis method as of the balance sheet date.
- Receivables financing held by the Company which are measured at level 3 fair value is bill receivable. The intention for holding such bill receivable is for endorsement, its remaining period is short, and the book value is equal to the fair value.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### IX. DISCLOSURE OF FAIR VALUE (Continued)

(IV) Adjustment information and sensitivity analysis of unobservable parameters between the carrying amount at the end of the previous year and the end of the period for items persistently measured at fair value at the third level

1. *Adjustment information of items persistently measured at fair value at the third level*

Item	Balance at the end of the previous year	Transfers into level 3	Transfers out of level 3	Total gains or losses recognized in the period		Purchase, issue, selling and settlement				Closing balance	For assets held at the end of the reporting period, the gains or changes are not realised in the current period of Item profit or loss
				In profits and losses	In other comprehensive income	Purchase	Issue	Selling	Settlement		
◆ Held-for-trading financial assets	2,370,000.00			159,706.55						2,370,000.00	
◆ Receivables financing	455,599,031.06	2,303,742,876.77	2,274,737,619.09								418,786,392.28
◆ Other investments in equity instruments	102,767,095.46				-29,438,694.48						73,328,400.98
<b>Total</b>	<b>560,736,126.52</b>	<b>2,303,742,876.77</b>	<b>2,274,737,619.09</b>	<b>159,706.55</b>	<b>-29,438,694.48</b>						<b>492,114,793.26</b>
Including: Profit and loss related to financial assets				159,706.55							
Profit and loss related to non-financial assets					-29,438,694.48						

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES

#### (I) Information on the parent company of the Company

Name of the parent company	Place of registration	Nature of Business	Registered Capital	Percentage of shareholding in the Company held by the parent company (%)	Percentage of voting rights in the Company held by the parent company (%)
IRICO Group Corporation Limited* (彩虹集團有限公司)	Beijing	Production and sales of Electronic components	245,129.19	47.52	47.52

*Notes:*

IRICO Group Corporation Limited directly holds 45.41% of the shares of the Company; Rui Bou Electronics (HK) Limited is a wholly-owned subsidiary of IRICO Group Corporation Limited, holding 2.11% of the shares of the Company. IRICO Group Corporation Limited directly and indirectly holds 47.52% of the shares of the Company.

Xianyang Zhongdian IRICO Group Holdings Ltd. is directly held as to 72.08% by China Electronics and Information Industry Group Co., Ltd.\* and as to 27.92% by IRICO Group Corporation Limited, holding 25.21% of the shares of the Company.

China Electronics and Information Industry Group Co., Ltd.\*, through IRICO Group Corporation Limited, Xianyang Zhongdian IRICO Group Holdings Ltd. and Rui Bou Electronics (HK) Limited, holds 72.73% of the shares of the Company in aggregate, and is the ultimate controlling party of the Company.

(II) Please refer to Note “VII. Interest in other entities” for details of the information on the subsidiaries of the Company.

(III) Information on associates and joint ventures of the Company

Please refer to Note V. (XI) for details of the associates and joint ventures of the Company.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (IV) Information on other related parties

Name of other related parties	Relationship between other related party and the Company
China Electronics and Information Industry Group Co., Ltd.*	Ultimate controlling party
China Electronics Commercial Financial Leasing Co., Ltd.	Associated enterprise of ultimate controlling party
Xianyang Cailian Packaging Materials Co., Ltd.	Investee company of the Company's controlling shareholder
Xianyang Zhongdian IRICO Group Holdings Ltd.	Same parent company
Hefei IRICO Epilight Industry Co., Ltd.	Same parent company
IRICO (Hefei) LCD Glass Co., Ltd.	Other related relationship
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	Other related relationship
IRICO Labour Service Company	Other related relationship
China Electronics Financial Co., Ltd.	Under the same ultimate control party
Nanjing Huadong Electronics Group Co., Ltd.	Under the same ultimate control party
Zhongdian Panda Trade Development Limited Company	Under the same ultimate control party
Nanjing Zhongdian Panda Property Management Co., Ltd.	Under the same ultimate control party
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Under the same ultimate control party
Panda Xinxing Industrial Co., Ltd.	Under the same ultimate control party
Nanjing CEC Panda Modern Services Co., Ltd.	Under the same ultimate control party
Xi'an IRICO Information Co., Ltd.	Under the same ultimate control party
Shaanxi IRICO Energy Services Corporation	Under the same ultimate control party
Xianyang IRICO Electronic Accessories Co., Ltd.	Under the same ultimate control party
Xianyang IRICO Industry Company Limited	Under the same ultimate control party
Xianyang Zhongdian IRICO Group Holdings Ltd.	Shareholder of the Company
IRICO New Energy (Wuhan) Co., Ltd.	Under the same ultimate control party
Kunshan IRICO Industry Co., Ltd.	Under the same ultimate control party
China Electronics System Engineering No.2 Construction Co., Ltd.	Under the same ultimate control party
China Electronics System Engineering No.3 Construction Co., Ltd.	Under the same ultimate control party
Xianyang Caiqin Electronics Device Co., Ltd.	Under the same ultimate control party
Xianyang Zhongdian IRICO Property Management Company Limited	Under the same ultimate control party
China Elec-Trans Int'l Service Co., Ltd.	Under the same ultimate control party

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions

##### 1. Related party transactions for purchase and sales of goods/receipt and provision of services

###### Purchase of goods/receipt of services

Name of related parties	Subject	Amount for the period	Amount for the previous period
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Purchase of goods	184,740,827.52	105,839,790.93
IRICO Group Corporation Limited * (彩虹集團有限公司)	Purchase of equipment	116,601,769.91	
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Purchase of utilities	103,452,878.93	126,905,846.32
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Purchase of goods	31,181,587.54	36,438,665.76
Hefei IRICO Epilight Industry Co., Ltd. (合肥彩虹藍光實業有限公司)	Purchase of goods	19,426,309.48	11,627,673.22
Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	Purchase of goods	18,386,443.67	17,444,752.63
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	Receipt of services	22,235,188.08	1,629,056.27
China Elec-Trans Int'l Service Co., Ltd. (捷達國際運輸有限公司)	Transportation expenses	7,761,048.74	
Hanzhong IRICO Jiarunze Mining Co., Ltd (漢中彩虹佳潤澤礦業有限公司)	Purchase of goods	3,158,572.57	
Hanzhong IRICO Jiarunze Mining Co., Ltd (漢中彩虹佳潤澤礦業有限公司)	Interest on borrowings	701,519.52	
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd. (咸陽彩虹光伏科技有限公司)	Purchase of goods	352,447.81	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 1. Related party transactions for purchase and sales of goods/receipt and provision of services (Continued)

##### Purchase of goods/receipt of services (Continued)

Name of related parties	Subject	Amount for the period	Amount for the previous period
Xianyang Zhongdian IRICO Property Management Company Limited (咸陽中電彩虹物業管理有限公司)	Receipt of services	9,433.96	
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	Purchase of goods		49,812,673.03
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Purchase of goods		6,439,608.42
China Electronics System Engineering No.2 Construction Co., Ltd. (中國電子系統工程第二建設有限公司)	Purchase of goods		2,972,972.97
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Receipt of services		1,753,579.31
Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	Receipt of services		255,546.16
Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊猫物業管理有限公司)	Receipt of services		170,142.17
Panda Xinxing Industrial Co., Ltd. (南京熊猫新興實業有限公司)	Receipt of services		56,603.78

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 1. Related party transactions for purchase and sales of goods/receipt and provision of services (Continued)

Sale of goods/provision of services

Name of related parties	Subject	Amount for the period	Amount for the previous period
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司)	Sale of goods	8,270,020.23	8,193,037.41
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Provision of services	6,632,379.28	15,890,178.02
Panda Xinxing Industrial Co., Ltd. (南京熊貓新興實業有限公司)	Sale of goods	2,832,703.44	2,967,942.09
Hefei IRICO Epilight Industry Co., Ltd. (合肥彩虹藍光實業有限公司)	Provision of services	1,234,202.80	
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	Sale of goods	339,622.68	339,622.68
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	Provision of services	169,811.29	169,811.29
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Sale of goods	188,522.14	



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 2. Leasing with related parties

The Company as the lessor:

Name of lessee	Type of assets under lease	Income recognized from leasing for the period	Income recognized from leasing for the previous period
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Plants	5,809,075.44	5,809,075.44
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Plants	322,166.04	322,166.04

The Company as the lessee:

Name of lessor	Type of assets under lease	Fees recognized from leasing for the period	Fees recognized from leasing for the previous period
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Office	3,063,341.16	1,080,642.96
Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	Plants	143,985.49	133,879.45
IRICO Labour Service Company (彩虹勞動服務公司)	Plants	64,437.64	540,321.48
Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	Office	60,899.23	33,939.25
Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	Property management fee		225,357.49

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 3. Guarantee with related parties

The Company as a guarantor:

Guarantee within the Group:

Guaranteed parties	Amount of guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
IRICO Yan'an New Energy Co., Ltd. (彩虹(延安)新能源有限公司)	53,500,000.00	2019/2/18	2021/11/30	No
IRICO Yan'an New Energy Co., Ltd. (彩虹(延安)新能源有限公司)	53,500,000.00	2019/5/25	2022/2/25	No
IRICO Yan'an New Energy Co., Ltd. (彩虹(延安)新能源有限公司)	53,500,000.00	2019/12/29	2022/9/29	No
IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司)	50,000,000.00	2019/12/17	2024/12/20	No
IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司)	25,000,000.00	2019/12/09	2024/12/20	No

Guarantee outside the Group:

Guaranteed parties	Amount of guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Nanjing New Energy Co., Ltd. (南京彩虹新能源有限公司)	46,000,000.00	2018/12/13	2023/12/13	No
Shaanxi IRICO New Materials Co., Ltd. (陕西彩虹新材料有限公司)	20,000,000.00	2020/1/15	2021/1/15	No
Shaanxi IRICO New Materials Co., Ltd. (陕西彩虹新材料有限公司)	20,000,000.00	2020/11/19	2021/5/19	No
Xianyang IRICO Green Energy Co., Ltd. (咸陽彩虹綠色能源有限公司)	10,000,000.00	2020/3/31	2023/3/31	No

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 3. Guarantee with related parties (Continued)

The Company as a guaranteed party:

Guarantor	Amount of guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd.	205,670,000.00	2017/9/1	2024/6/30	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	200,000,000.00	2020/6/23	2024/6/22	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	180,000,000.00	2020/7/7	2024/12/14	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	150,000,000.00	2020/1/7	2026/1/7	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	118,706,212.20	2020/8/21	2023/9/13	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	81,000,000.00	2020/1/10	2023/6/11	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	80,000,000.00	2019/12/31	2023/12/29	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	70,000,000.00	2020/11/10	2023/11/10	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	50,000,000.00	2019/8/19	2022/8/22	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	50,000,000.00	2020/2/28	2023/2/27	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	40,000,000.00	2019/9/25	2023/12/29	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	30,000,000.00	2020/4/16	2023/4/16	No
IRICO Group Corporation Limited	100,000,000.00	2020/4/14	2023/1/14	No
IRICO Group Corporation Limited	100,000,000.00	2020/5/28	2022/5/28	No
IRICO Group Corporation Limited	100,000,000.00	2020/6/1	2023/6/1	No
IRICO Group Corporation Limited	70,000,000.00	2020/8/14	2023/8/20	No
IRICO Group Corporation Limited	50,000,000.00	2020/7/15	2025/7/14	No
IRICO Group Corporation Limited	30,000,000.00	2020/8/3	2021/8/2	No
Xianyang Zhongdian IRICO Group Holdings Ltd., IRICO Group Corporation Limited	200,000,000.00	2018/10/25	2021/11/2	No
Xianyang Zhongdian IRICO Group Holdings Ltd., IRICO Group Corporation Limited	110,000,000.00	2018/4/16	2023/4/16	No
Xianyang Zhongdian IRICO Group Holdings Ltd., IRICO Group Corporation Limited	80,000,000.00	2019/8/5	2024/8/5	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Corporation Limited	50,000,000.00	2018/4/9	2023/4/9	No
Xianyang Zhongdian IRICO Group Holdings Ltd., IRICO Group Corporation Limited	50,000,000.00	2018/4/2	2023/4/2	No
Xianyang Zhongdian IRICO Group Holdings Ltd., IRICO Group Corporation Limited	40,000,000.00	2020/11/30	2023/11/29	No

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 4. Borrowings from or lending to related parties

Borrowing or lending within the Group:

Related Party	Borrowing/ lending amount	Commencement date	Maturity date	Notes
Lending				
IRICO Yan'an New Energy Co., Ltd.	200,000,000.00	2020.5.14	2021.5.14	
IRICO Yan'an New Energy Co., Ltd.	87,887,001.35	2020.9.3	2021.9.3	
IRICO Yan'an New Energy Co., Ltd.	53,710,000.00	2020.1.1	2020.12.31	
IRICO Yan'an New Energy Co., Ltd.	50,000,000.00	2020.6.1	2021.6.1	
Xianyang IRICO Green Energy Co., Ltd.	3,056,617.00	2020.11.21	2020.12.31	
Borrowing				
IRICO (Hefei) Photovoltaic Co., Ltd.	270,000,000.00	2020.12.30	2021.11.01	

Borrowing or lending outside the Group:

Related Party	Borrowing/ lending amount	Commencement date	Maturity date	Notes
Borrowing				
Xianyang Zhongdian IRICO Group Holdings Ltd.	340,703,528.82	2020.02.17	2020.11.30	
Xianyang Zhongdian IRICO Group Holdings Ltd.	300,000,000.00	2020.02.17	2020.11.30	
Shaanxi IRICO New Material Co., Ltd.	150,000,000.00	2020.01.01	2020.12.31	
Xianyang Zhongdian IRICO Group Holdings Ltd.	100,000,000.00	2020.02.17	2020.11.30	
Xianyang Zhongdian IRICO Group Holdings Ltd.	48,500,000.00	2019.12.21	2020.11.30	
Zhuhai Caizhu Industrial Co., Ltd.	40,000,000.00	2020.01.01	2020.11.30	
Zhuhai Caizhu Industrial Co., Ltd.	30,000,000.00	2020.01.01	2020.11.30	
Xianyang IRICO Green Energy Co., Ltd.	10,000,000.00	2020.04.03	Subject to the borrower's capital needs	
Xianyang Zhongdian IRICO Group Holdings Ltd.	10,000,000.00	2019.11.19	2020.11.30	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 4. Borrowings from or lending to related parties (Continued)

Borrowing or lending outside the Group: (Continued)

Related Party	Borrowing/ lending amount	Commencement date	Maturity date	Notes
Kunshan IRICO Industry Co., Ltd.	10,000,000.00	2020.01.01	2020.11.30	
Xianyang Zhongdian IRICO Group Holdings Ltd.	6,630,000.00	2020.12.28	2021.12.27	
Xianyang Zhongdian IRICO Group Holdings Ltd.	4,921,015.00	2019.12.9	2020.11.30	
Shaanxi IRICO New Material Co., Ltd.	3,000,000.00	2019.11.7	Until the financing funds are received	
Lending				
Hanzhong IRICO Jiarunze Mining Co., Ltd	22,110,000.00	2019.10.15	2024.6.20	
IRICO Group Corporation Limited	4,000,000.00	2020.11.23	2021.11.23	

*Note:* the interest expense on the borrowing above for the period was RMB13,068,004.27, and the interest income on the lending mentioned above was RMB701,519.52.

##### 5. Remuneration of key management personnel

Item	Amount for the period	Amount for the previous period
Remuneration of key management personnel	2,940,856.97	3,300,849.50

The key management personnel is 16 (including senior management, directors, supervisors and etc.) for the current period, among who, 13 are remunerated in the Company.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 5. Remuneration of key management personnel (Continued)

2020

Name	Fees	Salary and allowance	Pension insurance	Other	Total
<b>Senior management</b>					
Tong Xiaofei		211,066.74	2,413.61	40,987.31	254,467.65
Ma Zhibin		322,552.19	2,679.84	32,932.23	358,164.26
Wu Wenchao		321,528.29	2,679.84	32,932.23	357,140.36
Ni Huadong		337,478.39	2,694.72	60,048.96	400,222.07
Huang Weihong		181,064.39	2,679.84	31,392.11	215,136.34
<b>Supervisors</b>					
Chen Xiaoning		242,218.25			242,218.25
Zhao Lefei		331,816.79	2,679.84	32,932.23	367,428.86
Wu Mingli		250,467.09	2,679.84	32,932.23	286,079.16
Sun Haiying	80,000.00				80,000.00
Wu Xiaoguang	80,000.00				80,000.00
Ding Wenhui					
<b>Directors</b>					
Si Yuncong					
Chen Xiaoning					
Fan Laiying					
Ni Huadong					
Feng Bing	100,000.00				100,000.00
Wang Jialu	100,000.00				100,000.00
Wang Zhicheng	100,000.00				100,000.00

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 6. Other related party transactions

- (1) Compensation to Xianyang Zhongdian IRICO Group Holdings Ltd. on shutdown of furnaces

Xianyang Photovoltaic Glass Factory\* (咸陽光伏玻璃廠) (“Xianyang Photovoltaic”), a subsidiary of the Company, is primarily engaged in production and sales of photovoltaic glass. It shut down three furnaces with a daily production volume of 250 tons in March 2017, July 2017 and May 2019, respectively, due to service life of furnaces and economies of scale.

As the land of Xianyang Zhongdian IRICO Group Holdings Ltd. (“Zhongdian Holdings”) leased and occupied for the shutdown of furnaces by Xianyang Photovoltaic will be purchased and reserved for development in the future, the Company failed to obtain approval of our controlling shareholder, IRICO Group Corporation Limited (the second largest shareholder of Zhongdian Holdings with CEC as its de facto controller) for the cold repair proposal, the fees on idle personnel and losses on production suspension all exerted material impact on the Company. Upon mutual friendly negotiation, the “Compensation Framework Agreement” was signed in June 2019, which provides that Zhongdian Holdings will compensate the Company for the loss on work stoppages arising from production suspension and cold repair cessation of the above-mentioned furnaces.

In 2020, the Company confirmed that the compensation of furnaces of Zhongdian Holdings is RMB20,280,000, which is included in other income.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 6. Other related party transactions (Continued)

##### (2) Transfer of equity interests

On 30 October 2020, the Board of the Company announced that in order to optimize the business mode and business structure of the Company, highlight the main business, and strengthen and expand the photovoltaic glass business, the Company 1) entered into the Green Energy Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 100% equity interests in Green Energy at a cash consideration of RMB104,000,000; 2) entered into the IRICO New Material Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 76.32% equity interests in IRICO New Material at a cash consideration of RMB287,115,800; 3) entered into the Jiangsu Yongneng Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 51% equity interests in Jiangsu Yongneng at a cash consideration of RMB61,455,000; and 4) entered into the Zhuhai Caizhu Equity Transfer Agreement with Zhongdian IRICO, pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 49% equity interests in Zhuhai Caizhu at a cash consideration of RMB129,418,900. Such disposals were approved by independent shareholders at the extraordinary general meeting held on 28 December 2020.

The abovementioned transfer of equity interests generated a total investment income of RMB73,326,400. As of 31 December 2020, the consideration of RMB291,044,900 for the transfer of equity interests was outstanding.

##### (3) Financing lease with China Electronics Commercial Financial Leasing Co., Ltd.

Related party	Subject	Closing balance/ Amount for the period
China Electronics Commercial Financial Leasing Co., Ltd.	Balance of loan	45,150,000.00
China Electronics Commercial Financial Leasing Co., Ltd.	Deposit	18,000,000.00
China Electronics Commercial Financial Leasing Co., Ltd.	Payment of interest	5,512,790.64



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (V) Related party transactions (Continued)

##### 6. Other related party transactions (Continued)

- (3) Financing lease with China Electronics Commercial Financial Leasing Co., Ltd. (Continued)

Financing lease contract:

On 29 April 2016, the Company entered into financing lease sale and leaseback contracts (No.: ZDTS-2016-HZ-002 and ZDTS-2016-HZ-003) with China Electronics Commercial Financial Leasing Co., Ltd., with a contract amount of RMB1 million and RMB300 million, respectively, and an agreed deposit amount of RMB18 million.

- (4) Deposit and loan with China Electronics Financial Co., Ltd.

Related party	Subject	Closing balance/ Amount for the period
China Electronics Financial Co., Ltd.	Bank deposit	200,331,135.54
China Electronics Financial Co., Ltd.	Receipts from interest	254,848.37
China Electronics Financial Co., Ltd.	Balance of loan	200,000,000.00
China Electronics Financial Co., Ltd.	Payment of interest	7,611,612.51

The closing balance of the Company's deposits with China Electronics Financial Co., Ltd. amounted to RMB200,331,135.54, which generated deposit interest of RMB254,848.37 for the Company during the period; the Company's borrowings amounted to RMB200,000,000.00, which resulted in interest expenses of RMB7,611,612.51 during the period.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (VI) Receivables from and payables to related parties

##### 1. Receivables from related parties

Item	Related Party	Closing balance	Balance at the end of last year
		Carrying amount	Carrying amount
		Allowance for bad debts	Allowance for bad debts
Bills receivables			
	IRICO Group Corporation Limited	7,137,268.75	7,137,268.75
	Jiangsu IRICO Yongneng New Energy Company Limited	5,758,103.66	
	Xianyang Zhongdian IRICO Group Holdings Ltd.		4,676,836.18
	IRICO (Hefei) LCD Glass Co., Ltd.		121,918.82
Receivables financing			
	IRICO Group Corporation Limited		
	Jiangsu IRICO Yongneng New Energy Company Limited	2,000,000.00	
	Zhuhai Caizhu Industrial Co., Ltd.		70,000,000.00
Prepayments			
	Shaanxi IRICO Energy Services Corporation		745,000.00
	Xianyang Cailian Packaging Materials Co., Ltd.		2,595.69
	Xianyang Zhongdian IRICO Group Holdings Ltd.		387.29
Other receivables			
	IRICO Group Corporation Limited	252,665,420.00	2,577,777.59
	Xianyang Zhongdian IRICO Group Holdings Ltd.	64,709,449.00	
	Hanzhong IRICO Jiarunze Mining Co., Ltd.		22,421,859.36
	China Electronics Commercial Financial Leasing Co., Ltd.	18,000,000.00	18,000,000.00
	Shaanxi IRICO Energy Services Corporation	6,000.00	6,000.00
	Xi'an IRICO Information Co., Ltd.		3,127,691.14
	IRICO New Energy (Liquan) Co., Ltd.		3,465,783.00
	Shaanxi IRICO Optoelectronic Materials Company		3,060,000.00
	IRICO New Energy (Changwu) Co., Ltd		2,750,000.00
	IRICO New Energy (Wuhan) Co., Ltd.		950,000.00
	Nanjing CEC Panda Modern Services Co., Ltd.		28,517.70
Long term receivables			
	Hanzhong IRICO Jiarunze Mining Co., Ltd	22,923,378.88	

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VI) Receivables from and payables to related parties (Continued)

#### 2. Payables to related parties

Item	Related Party	Closing balance	Balance at the end of the last year
Short-term borrowings			
	China Electronics Financial Co., Ltd.	200,000,000.00	90,000,000.00
Accounts payables			
	IRICO Group Corporation Limited	141,872,009.99	1,670,564.91
	Zhongdian Panda Trade Development Limited Company	22,032,273.56	
	Xianyang Cailian Packaging Materials Co., Ltd.	18,134,564.17	17,180,423.51
	Hefei IRICO Epilight Industry Co., Ltd.	13,000,639.08	7,875,475.47
	IRICO (Hefei) LCD Glass Co., Ltd.	6,963,261.30	19,513,434.18
	China Electronics System Engineering No. 2 Construction Co., Ltd.	1,240,540.54	1,440,540.54
	Xianyang IRICO Electronic Accessories Co., Ltd.	827,705.60	827,705.60
	Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	691,641.24	
	Shaanxi IRICO Energy Services Corporation	326,595.00	15,940,886.76
	Xianyang IRICO Green Energy Co., Ltd.	170,000.00	
	China Elec-Trans Int'l Service Co., Ltd.	8,314,232.52	
	China Electronics System Engineering No. 3 Construction Co., Ltd.	5,000.00	
	Xianyang Zhongdian IRICO Group Holdings Ltd.		9,970,865.80
	Nanjing Huadong Electronics Group Co., Ltd.		4,965,594.68
	Xianyang Caiqin Electronics Device Co., Ltd.		4,740,348.60
	Xi'an IRICO Information Co., Ltd		780,708.17
	Xianyang IRICO Industry Company Limited		145,346.06
	Xianyang Zhongdian IRICO Property Management Company Limited		10,000.00

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

#### (VI) Receivables from and payables to related parties (Continued)

##### 2. Payables to related parties (Continued)

Item	Related Party	Closing balance	Balance at the end of the last year
Bills payable			
	IRICO (Hefei) LCD Glass Co., Ltd.	53,325,912.20	41,404,290.38
	Hefei IRICO Epilight Industry Co., Ltd.	16,123,216.60	9,360,000.00
	Zhongdian Panda Trade Development Limited Company	9,400,000.00	19,500,000.00
	IRICO Group Corporation Limited	5,043,006.31	
	Xianyang Cailian Packaging Materials Co., Ltd.	2,000,000.00	
	Shaanxi IRICO Energy Services Corporation	448,091.88	
	Xianyang IRICO Green Energy Co., Ltd.	189,190.00	
	China Electronics System Engineering No. 2 Construction Co., Ltd.		750,000.00
	Xianyang Zhongdian IRICO Group Holdings Ltd.		700,000.00
Other payables			
	Jiangsu IRICO Yongneng New Energy Company Limited	4,000,000.00	
	Xianyang IRICO Green Energy Co., Ltd.	2,246,500.00	
	Xi'an IRICO Information Co., Ltd	1,259,314.14	
	China Electronics System Engineering No. 2 Construction Co., Ltd.	50,000.00	50,000.00
	Hefei IRICO Epilight Industry Co., Ltd.	30,000.00	30,000.00
	China Electronics System Engineering No. 3 Construction Co., Ltd.	30,000.00	
	Xianyang Zhongdian IRICO Group Holdings Ltd.		806,029,262.55
	Zhuhai Caizhu Industrial Co., Ltd.		102,470,007.57
	IRICO Group Corporation Limited		83,047,197.64
	Kunshan IRICO Industry Co., Ltd.		43,348,766.09

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VI) Receivables from and payables to related parties (Continued)

#### 2. Payables to related parties (Continued)

Item	Related Party	Closing balance	Balance at the end of the last year
	China Electronics and Information Industry Group Co., Ltd.		41,900,145.43
	IRICO New Energy (Wuhan) Co., Ltd.		10,406,002.65
	Xianyang IRICO Electronic Accessories Co., Ltd.		7,104,235.01
Non-current assets due within one year			
	China Electronics Commercial Financial Leasing Co., Ltd.	45,150,000.00	115,300,000.00
Long-term payables			
	China Electronics Commercial Financial Leasing Co., Ltd.		45,150,000.00

### XI. COMMITMENTS AND CONTINGENCIES

(I) Important commitments

Unit: RMB0'000

Project	Contractual investment	Investment recognized	Investment not recognized
Hefei Photovoltaic Glass Project	126,595.73	104,263.75	22,331.98
Solar photovoltaic glass furnace	65,202.39	65,202.39	0.00
Total	191,798.12	169,466.14	22,331.98

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XI. COMMITMENTS AND CONTINGENCIES (Continued)

#### (II) Contingencies

1. For the guarantee provided by the Company for the bank loan of the subsidiary, please refer to note “X. (V).3”.
2. Litigation

In the ordinary course of business of the Company, litigation matters are involved due to contract dissension. As of 31 December 2020, bank funds of RMB124,030.12 have been frozen due to litigation.

The main litigation matters concerning the frozen funds are as follows:

Shaanxi Xinlang Construction Engineering Co. Ltd\* (陝西欣郎建設工程有限公司) (the “Shaanxi Xinlang”), Shaanxi Zhengkang Construction Engineering Co., Ltd.\* (陝西正康建設工程有限公司) (the “Shaanxi Zhengkang”) and IRICO Yan’an New Energy Co., Ltd.\* (the “Yan’an New Energy”), a subsidiary of the Company, entered into a civil engineering project contract. After the completion of the project, 75% of the full price has been paid by Yan’an New Energy as the first payment. Since the project has not yet been inspected and accepted, the remaining payment has not been paid by Yan’an New Energy. Therefore, Shaanxi Xinlang and Shaanxi Zhengkang brought a suit against Yan’an New Energy and applied for property preservation. On 22 June 2020, bank deposits of RMB124,030.12 of Yan’an New Energy were frozen by the People’s Court of Baota District, Yan’an City. As of 31 December 2020, the case has not yet been held, and it is not expected to have a significant adverse impact on the operations of the Company.

3. As of 31 December 2020, the Company’s outstanding letters of credit amounted to RMB206,325,900, all of which are due in 2021.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XII. POST BALANCE SHEET EVENTS

1. Construction of IRICO Shangrao ultra-thin and high-transmissivity photovoltaic glass project

On 11 January 2021, the Company reached a cooperation intention with the People's Government of Shangrao City for the construction of IRICO Shangrao ultra-thin and high-transmissivity photovoltaic glass project. The project will be carried out in three phases and will construct ten ultra-thin and high-transmissivity photovoltaic glass furnaces and the supporting processing production lines. Three production lines will be constructed in the first phase. The construction of the project was commenced on 1 March 2021, and it is planned to be put into production in the first half of 2022.

2. Adjustment to the use of proceeds from the placing of H shares

On 28 August 2020, the Company completed the placing of H shares. An aggregate of 1,294,092,000 placing shares have been successfully placed to not less than six but not more than ten places at the placing price of HK\$1.12 per placing share. The net proceeds from the placing were approximately HK\$ 1.44 billion, after deducting all applicable costs and expenses.

The use of the proceeds of the Company: (1) approximately RMB500 million would be used for Yan'an Photovoltaic Glass Project; (2) approximately RMB500 million would be used for Hefei Photovoltaic Glass Project (Phase II); and (3) approximately RMB281.6 million would be used to supplement the working capital of the Company after deducting the relevant issuance expenses.

3. Related party transactions

On 9 February 2021, the Company entered into the Master Sales Agreement with IRICO Group Corporation Limited, the parent company, pursuant to which the Company would sell photovoltaic products such as coated and tempered glass to IRICO Group for the period from 9 February 2021 to 31 December 2021. The maximum fees payable to the Company by IRICO Group under the Master Sales Agreement would be RMB100 million, and the actual settlement price and the method of payment shall be determined based on the sales agreements to be entered into by the parties.

4. Cancellation of Xinneng Glass

Cancellation of Shaanxi IRICO Xinneng Glass Co., Ltd.\*, a subsidiary of the Company, was completed on 4 March 2021.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XII. POST BALANCE SHEET EVENTS (Continued)

#### 5. Other events

In accordance with the resolution of the Board of the Company, with effect from 6 January 2021, Mr. Ni Huadong was appointed as the deputy general manager and company secretary of the Company and ceased to serve as the secretary to the Board of the Company, and Mr. Chu Xiaohang ceased to serve as the company secretary of the Company. Mr. Huang Weihong was appointed as the secretary to the Board of the Company.

In accordance with the resolution of the Board of the Company, with effective from 28 January 2021, Mr. Tong Xiaofei was appointed as the general manager of the Company, for a term commencing on the date of appointment at the Board meeting until the expiration of the term of the fourth session of the Board.

### XIII. CAPITAL MANAGEMENT

The main goal of the Company's capital management:

- Ensure the Company's ability to continue its operations so as to provide returns to shareholders and benefit other stakeholders;
- Price products and services according to the level of risk to provide adequate returns to shareholders.

The Company sets a capital amount proportional to the risk and manages and adjusts the capital structure according to the changes in the economic environment and the risk characteristics of the underlying assets. The Company may adjust the amount of dividends paid to shareholders, the capital returned to shareholders, the issuance of new shares and the sale of assets to reduce liabilities in order to maintain or adjust the capital structure.

The Company monitored capital on the basis of an adjusted liability/capital ratio.

	Closing balance	Balance at the end of last year
Total liability	3,237,573,733.43	4,623,023,634.27
Less: cash and cash equivalents	393,496,091.98	163,386,562.37
Adjusted net liability	2,844,077,641.45	4,459,637,071.90
Owners' equity	1,746,281,348.35	289,071,013.70
Adjusted capital	1,746,281,348.35	289,071,013.70
Adjusted liability/capital ratio	1.63	15.43



## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XIV. OTHER SIGNIFICANT EVENTS

#### (I) Segment information

##### 1. *Preparation basis and accounting policy of the reporting segment*

According to the Company's internal organizational structure, management requirements and internal reporting system, three reporting segments are determined, which are: solar photovoltaic industry, new material industry and others. Each reporting segment of the Company provides different products or services or operates in different regions. As each segment requires different technologies or marketing strategies, the Company's management separately manages the operating activities of each reporting segment and regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The intersegment transfer price is determined on the basis of the actual transaction price, and the expenses indirectly attributable to each segment are distributed among the segments in accordance with the corresponding proportion. Assets are allocated according to the operation of the segment and the location of the assets. The liabilities of the segment include the liabilities attributable to the segment resulting from the segment's activities. If expenses related to liabilities shared by multiple operating segments are allocated to those operating segments, the shared liability is also allocated to those operating segments.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XIV. OTHER SIGNIFICANT EVENTS (Continued)

#### (I) Segment information (Continued)

##### 2. Financial information of the reporting segment

Item	Solar Photovoltaic business	New materials business	Others	Inter-segment eliminations	Total
External transaction income	1,790,700,240.73	697,895,372.81	29,913,412.26		2,518,509,025.80
Income for inter-segment transaction					
Gain from investments in associates and joint ventures	-1,784,333.19				-1,784,333.19
Credit impairment losses	-1,198,808.22	-145,154.11		-20,769.00	-1,323,193.33
Asset impairment losses	5,130,034.90	6,869,229.32			11,999,264.22
Depreciation and amortization	150,998,980.06	6,914,359.62			157,913,339.68
Total profit (total loss)	127,390,505.06	27,934,021.06	16,000,387.76		171,324,913.88
Income tax expenses	-36,400,962.77	6,106,553.72			-30,294,409.05
Net profit (net loss)	163,791,467.83	21,827,467.34	16,000,387.76		201,619,322.93
Total assets	4,983,855,081.78				4,983,855,081.78
Total liabilities	3,237,573,733.43				3,237,573,733.43
Other significant non-cash items					
Other non-cash expenses other than depreciation and amortisation					
Long-term equity investment in associates and joint ventures	11,730,970.89				11,730,970.89
The amounts of additions to non-current assets other than long-term equity investments	-21,753,340.13				-21,753,340.13

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XIV. OTHER SIGNIFICANT EVENTS (Continued)

#### (II) Other significant events

##### 1. *Share Consolidation*

The proposed share consolidation was considered and approved at the extraordinary general meeting of the Company on 28 December 2020, pursuant to which every twenty (20) existing shares with a par value of RMB1 each was reduced to one (1) reduced share with a par value of RMB1 each, and the total issued share capital of the Company was reduced from RMB3,526,441,400 to RMB176,322,070. The effective date of proposed share consolidation and capital reduction was 30 March 2021.

The change of industrial and commercial registration was completed on 25 March 2021 for the abovementioned share consolidation and capital reduction.

##### 2. *Fund raising and investment*

(1) In order to make full use of the existing industrialized resources and products-based advantages, the Company proposed to implement the project of industrialization of ultra-thin and high-transmissivity photoelectric glass and research and development for industrial equipment of IRICO (Hefei) Photovoltaic Co., Ltd, which will build a solar photovoltaic glass kiln and supporting production lines with an output of 750 tons/day in the phase III plant of Hefei Photovoltaic, and will carry out the research and development of ultra-thin and high-transmissivity photoelectric glass technology and related domestic equipment.

(2) On 12 October 2020, the Company entered into a letter of intent with the People's Government of Qindu District, Xianyang City for cooperation on the construction of IRICO Xianyang ultra-thin and high-transmissivity photoelectric glass project, with a total investment amount of approximately RMB500 million and an area of approximately 120 mu, on which five deep-processing production lines for ultra-thin, double-film, high-transmissivity and large-size photoelectric glass will be constructed in stages.

##### 3. *Proposed initial public offering of A shares*

The Board has resolved and approved to authorise the management of the Company to commence the work related to the proposed initial public offering of A shares. The Company has not formulated the offering proposal of the Proposed A Share Offering, and has not applied to any of the relevant regulatory authorities in the People's Republic of China for approval of the Proposed A Share Offering.

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XV. SUPPLEMENTAL INFORMATION

#### (I) Breakdown of non-recurring profit or loss for the current period

Item	Amount	Note
Profit/loss on disposal of non-current assets	-51,228,223.47	
Tax refund, deduction and exemption as a result of ultra vires or without formal approval		
Government grant recognized in current profit or loss, except for those acquired in the ordinary course of business and granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standards	46,616,782.08	
Funds occupation fee accounted for in the profit or loss of the current period charged to non-financial enterprises	701,519.52	
Gains arising from the difference between the investment cost for acquisition of subsidiaries, associates and joint ventures by an enterprise and the fair value of the identifiable net assets of the invested entity at the time of acquisition		
Profit or loss from swap of non-monetary assets		
Profit or loss from entrusted investment or asset management		
Provision for assets impairment due to force majeure including natural disasters		
Profit or loss from debt restructuring		
Expenses arising from enterprise restructuring, such as staff resettlement, integration, etc.		
Profit or loss from the excess of the fair value compared to the unfair consideration of a transaction		
Current net profit or loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger		
Profit or loss from contingencies irrelevant to the normal operations of the Company		

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XV. SUPPLEMENTAL INFORMATION (Continued)

#### (I) Breakdown of non-recurring profit or loss for the current period (Continued)

Item	Amount	Note
Apart from hedging instruments relating to the normal operations of the Company, profit or loss from change in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment.	667,877.34	Change in fair value of held-for-trading financial assets, disposal of held-for-trading financial assets
Reversal impairment provision for accounts receivable and contract assets tested for impairment separately	590,005.91	
Profit or loss from external entrusted loans		
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement		
Effect of one-off adjustment to current profit or loss in accordance with laws and regulations on taxation and accounting, etc.		
Investment income from disposal of long-term equity investment	73,877,247.66	Disposal of IRICO New Material, IRICO Green Energy, IRICO Yongneng, IRICO Hong Kong and Zhuhai Caizhu
Other non-operating income and expenses save for the above	9,650,531.38	
Other profit or loss items falling within the meaning of non-recurring profit or loss	37,799,173.09	
Subtotal	118,674,913.51	
Effect of income tax	17,775,918.28	
Effect of minority interests (After tax)	2,513,623.08	
<b>Total</b>	<b>98,385,372.15</b>	

Note: Other profit or loss items falling within the meaning of non-recurring profit or loss:

## Notes to the Financial Statements for 2020 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

### XV. SUPPLEMENTAL INFORMATION (Continued)

#### (I) Breakdown of non-recurring profit or loss for the current period (Continued)

Item	Amount	Note
Refund of personal income tax service fee	22,896.98	
Social insurance deduction and exemption	17,496,276.11	Partial social insurance deduction and exemption due to COVID-19 pandemic
Compensation for the shutdown of furnaces by Xianyang Photovoltaic	20,280,000.00	
<b>Total</b>	<b>37,799,173.09</b>	

#### (II) Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	29.16	0.0825	0.0825
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss items	16.10	0.0455	0.0455

## Five-Year Financial Summary

Unit: RMB0'000

Item	2020	2019	2018	2017	2016
Operating revenue	251,851	224,511	233,192	247,147	187,105
Total profit					
(total loss is presented by "-")	17,132	7,616	8,696	10,616	9,818
Income tax expenses	-3,029	207	17	587	137
Net profit					
(net loss is represented by "-")	20,162	7,409	8,679	10,028	9,681
Including: Net profit attributable to the owners of the Company	21,966	9,314	8,130	9,001	9,831
Minority interests	-1,804	-1,906	549	1,027	-149
Total assets	498,386	491,209	487,078	459,661	364,681
Total liabilities	323,757	462,302	465,699	435,502	350,954
Owner's equity	174,628	28,907	21,378	24,159	13,727
Including: Equity attributable to equity shareholders of the Company	174,628	18,798	9,324	12,654	6,769
Minority interests	—	10,109	12,054	11,505	6,958
Earnings per share (RMB)	0.0825	0.0417	0.0364	0.0403	0.0440

# Corporate Information

## Executive Directors

Si Yuncong Chairman  
Tong Xiaofei Appointed as an executive director on 20 January 2020

## Non-executive Director

Fan Laiying  
Ni Huadong

## Independent Non-executive Directors

Feng Bing  
Wang Jialu  
Wang Zhicheng

## Audit Committee

Wang Zhicheng  
Fan Laiying  
Feng Bing  
Wang Jialu

## Chief Financial Officer

Huang Weihong

## Secretary to the Board

Ni Huadong Ceased to be the secretary to the Board on 6 January 2021  
Huang Weihong Appointed as the secretary to the Board on 6 January 2021

## Company Secretary

Chu Xiaohang Ceased to be the company secretary on 6 January 2021  
Ni Huadong Appointed as the company secretary on 6 January 2021

## Authorized Representatives

Si Yuncong Ceased to be an authorized representative on 20 January 2020  
Tong Xiaofei Appointed as an authorized representative on 20 January 2020  
Ni Huadong



## Corporate Information (Continued)

### Legal address in the PRC

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

### Place of business in Hong Kong

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

### Company website

[www.irico.com.cn](http://www.irico.com.cn)

### Legal advisers

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

### Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP, a Non-Hong Kong Accounting Firm accredited by the Stock Exchange  
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Chaoyang District, Beijing

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