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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)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of IRICO Group New Energy Company Limited* (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021. The figures in respect of the Group's balance sheet, income statement and notes to the condensed consolidated financial statements for the year ended 31 December 2021 as set out in this announcement are consistent with the amounts set out in the audited consolidated financial statements of the Group for the same year.

During the reporting period, the Group seized the new opportunities brought by the "**dual carbon**" goal, strengthened and expanded the core business of solar photovoltaic glass, continued to promote the stable operation of the photovoltaic glass production bases in Hefei and Yan' an, fully utilized the existing advantages of large-scale and intelligent production, accelerated the development process of new projects in Shangrao and Xianyang. At the same time, the Group accelerated technological innovation, increased the proportion of new photovoltaic glass products such as thin and large-size. During the Reporting Period, the Group recorded an operating revenue of RMB2,067.06 million, representing a year-on-year decrease of 17.93%, of which revenue from solar photovoltaic glass business amounted to RMB2,048.48 million, representing a year-on-year increase of 27.22%. The Group achieved a total profit of RMB185.56 million, representing a year-on-year increase of 8.31%, through quality improvement and efficiency enhancement, cost reduction and cost control for all elements.

Balance Sheet

As at 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

Assets	**31 December 2021**	31 December 2021 (restated)	31 December 2019 (restated)
Current Assets:			
Cash at bank and on hand	**702,100,943.55**	717,909,270.00	405,448,222.14
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets	**299,398.19**	335,160.70	2,863,047.11
Derivative financial assets			
Bills receivable	**401,498,775.46**	473,448,034.86	576,715,280.00
Accounts receivable	**342,362,113.37**	247,713,393.53	487,779,446.28
Receivables financing	**354,722,215.86**	249,513,539.10	259,007,664.26
Prepayments	**68,283,370.73**	30,789,957.11	35,260,049.13
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	**35,599,357.48**	374,583,997.35	87,139,162.36
Financial assets acquired for resale			
Inventory	**225,839,074.55**	178,811,652.24	154,730,841.63
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	**42,164,766.78**	38,462,630.38	78,529,164.23
Total current assets	**2,172,870,015.97**	2,311,567,635.27	2,087,472,877.14

Assets	**31 December 2021**	31 December 2021 (restated)	31 December 2019 (restated)
Non-current Assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term accounts receivable	19,110,000.00	22,923,378.88	22,421,859.36
Long-term equity investment	8,952,949.24	11,730,970.89	194,360,686.48
Other investments in equity instruments	319,742,687.04	308,930,383.16	260,240,362.32
Other non-current financial assets			
Investment properties			
Fixed assets	1,872,555,469.48	2,032,956,419.09	1,622,125,907.01
Construction in progress	530,673,922.41	367,729,484.07	791,768,042.42
Productive biological assets			
Oil and gas assets			
Right-of-use assets	543,100.08	8,012,893.41	14,883,147.32
Intangible assets	176,032,947.84	180,322,283.76	242,468,802.24
Development expenditures			24,915,390.59
Goodwill			36,553,211.37
Long-term deferred expenses	4,904,582.22		857,353.95
Deferred income tax assets	23,746,284.70	43,856,814.93	1,568,220.47
Other non-current assets			
Total non-current assets	**2,956,261,943.01**	2,976,462,628.19	3,212,162,983.53
Total assets	**5,129,131,958.98**	5,288,030,263.46	5,299,635,860.67

As at 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Liabilities and Owner's Equity	31 December 2021	31 December 2021 (restated)	31 December 2019 (restated)
Current liabilities:			
Short-term borrowings	**942,809,101.30**	675,191,483.33	660,753,157.45
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	**729,078,281.00**	793,674,677.38	644,829,934.17
Accounts payables	**530,695,955.76**	820,624,567.85	760,375,514.52
Receipts in advance			
Contract liabilities	**3,809,488.82**	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	**18,732,259.41**	9,993,780.39	16,983,477.31
Taxes charge payable	**10,717,787.46**	25,012,552.90	12,578,792.19
Other payables	**67,381,715.92**	79,803,624.06	1,574,648,458.04
Handling fee and Commission Payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	**203,887,815.77**	305,102,565.12	530,398,253.01
Other current liabilities	**153,026,117.10**	352,069,253.54	316,575,817.48
Total current liabilities	**2,660,138,522.54**	3,125,981,720.58	4,562,688,916.47

Liabilities and Owner's Equity	**31 December 2021**	31 December 2021 (restated)	31 December 2019 (restated)
Non-Current Liabilities:			
Insurance policy reserve			
Long-term borrowings	**472,400,000.00**	230,060,300.00	132,321,800.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		5,716,249.99	10,661,506.91
Long-term payables	**13,465,592.05**	109,108,886.69	215,712,280.64
Long-term employee benefits payable	**1,187,564.81**	3,974,743.13	9,537,743.87
Estimated liabilities			
Deferred income	**62,242,483.55**	66,907,014.72	70,110,797.81
Deferred income tax liabilities			636,361.01
Other non-current liabilities			
Total non-current liabilities	**549,295,640.41**	415,767,194.53	438,980,490.24
Total Liabilities	**3,209,434,162.95**	3,541,748,915.11	5,001,669,406.71

Liabilities and Owner's Equity	**31 December 2021**	31 December 2021 (restated)	31 December 2019 (restated)
Owner's Equity:			
Share capital	**176,322,070.00**	3,526,441,400.00	2,232,349,400.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	**4,281,160,374.64**	931,041,044.64	943,531,444.10
Less: Treasury shares			
Other comprehensive income	**-163,635,057.09**	-174,447,360.97	-222,586,558.32
Special reserve			
Surplus reserve	**22,477,267.06**	22,477,267.06	22,477,267.06
General risk reserve			
Undistributed Profit	**-2,396,626,858.58**	-2,559,231,002.38	-2,778,892,693.43
Total equity attributable to the owners of the Company	**1,919,697,796.03**	1,746,281,348.35	196,878,859.41
Minority interest			101,087,594.55
Total equity attributable to the owners	**1,919,697,796.03**	1,746,281,348.35	297,966,453.96
Total liabilities and equity attributable to the owners	**5,129,131,958.98**	5,288,030,263.46	5,299,635,860.67

Income Statement

For the year 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	2021	2020
I. Total operating revenue	**2,067,062,702.08**	2,518,509,025.80
Including: Operating revenue	**2,067,062,702.08**	2,518,509,025.80
Interest income		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	**1,880,572,664.98**	2,429,271,402.16
Including: Operating costs	**1,618,739,078.11**	2,015,020,803.56
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	**21,156,835.62**	13,399,519.64
Selling expenses	**7,141,170.59**	12,452,295.10
Administrative expenses	**110,127,881.73**	180,608,528.62
Research and development expenses	**54,400,183.71**	66,780,214.13
Finance costs	**69,436,543.22**	141,010,041.11
Including: Interest expense	**69,107,769.77**	116,589,732.43
Interest income	**6,146,823.05**	8,629,348.73

Item	2021	2020
Add: Other income	**25,429,853.67**	81,969,679.06
Investment income (loss is represented by "-")	**-10,033,127.02**	52,526,717.62
Including: Gains from investment in associates and joint ventures	**-2,778,021.65**	-1,784,333.19
Income from derecognition of financial asset at the amortized cost		-10,581,569.94
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 "-")	**-34,615.19**	-155,343.46
Credit impairment losses (loss is represented by "-")	**-1,636,304.42**	1,323,193.33
Impairment losses on assets (loss is represented by "-")	**-15,838,020.96**	-11,999,264.22
Gains from disposal of assets (loss is represented by "-")	**587,077.11**	-51,228,223.47
III. Operating profit (loss is represented by "-")	**184,535,872.29**	161,674,382.50
Add: Non-operating income	**2,495,966.04**	9,703,012.20
Less: Non-operating expenses	**1,474,466.49**	52,480.82
IV. Total profit (total loss is represented by "-")	**185,557,371.84**	171,324,913.88
Less: Income tax expenses	**22,953,228.04**	-30,294,409.05

Item	**2021**	2020
V. Net profit (net loss is represented by "-")	**162,604,143.80**	201,619,322.93
(I) Classified by continuity of operations	**162,604,143.80**	201,619,322.93
1. Net profit from continuing operations (net loss is represented by "-")	**162,604,143.80**	191,956,671.80
2. Net profit from discontinued operations (net loss is represented by "-")		9,662,651.13
(II) Classified by ownership of equity	**162,604,143.80**	201,619,322.93
1. Net profit attributable to the shareholders of the parent company (net loss is represented by "-")	**162,604,143.80**	219,661,691.05
2. Minority interests (net loss is represented by "-")		-18,042,368.12
VI. Other comprehensive income, net of tax	**10,812,303.88**	48,139,197.35
Other comprehensive income (net of tax) attributable to the owners of the parent company	**10,812,303.88**	48,139,197.35
(I) Other comprehensive income that cannot be reclassified to profit or loss	**10,812,303.88**	48,690,020.84
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	**10,812,303.88**	48,690,020.84
4. Changes in fair value of enterprise's own credit risk		

Item	2021	2020
(II) Other comprehensive income that will be reclassified to profit or loss		-550,823.49
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		-550,823.49
7. Others		
Other comprehensive income (net of tax) attributable to minority shareholders		
VII. Total comprehensive income	**173,416,447.68**	249,758,520.28
Total comprehensive income attributable to the owners of the parent company	**173,416,447.68**	267,800,888.40
Total comprehensive income attributable to minority shareholders		-18,042,368.12
VIII. Earnings per share:		
(I) Basic earnings per share *(RMB/share)*	**1.2209**	1.6493
(II) Diluted earnings per share *(RMB/share)*	**1.2209**	1.6493

I. COMPANY PROFILE

IRICO Group New Energy Company Limited* (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 10 September 2004 as a joint stock company with limited liability under the Company Law of the PRC. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 December 2004. The addresses of its registered office and principal place of business are No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC.

The Company and its subsidiaries (collectively referred to as the "**Group**") are engaged in solar photovoltaic business, new materials business and others.

IRICO Group Corporation Limited* (彩虹集團有限公司, "**IRICO Group**") is the Company's parent company and the ultimate holding company is China Electronics Corporation ("**CEC**").

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), the functional currency of the Company. During the reporting period, subsidiaries included in the scope of consolidation are set out below:

No.	Names	Short name	Level
1	IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹（合肥）光伏有限公司)	Hefei Photovoltaic	2
2	IRICO Yan'an New Energy Co., Ltd.* (彩虹（延安）新能源有限公司)	Yan'an New Energy	2
3	Xianyang IRICO Photovoltaic Glass Co., Ltd. (咸陽彩虹光伏玻璃有限公司)	Xianyang Photovoltaic	2
4	Jiangxi IRICO Photovoltaic Co., Ltd. (江西彩虹光伏有限公司)	Jiangxi Photovoltaic	2

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, and the relevant requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting issued by the China Securities Regulatory Commission. In addition, the financial statements also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(II) Going concern

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates indication:

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 financial position as at 31 December 2021, and the Company's operating results and cash flows for the year 2021 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.

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.

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.

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 re-measures 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.

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.

(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 of date of combination, share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

(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 prorate basis;

(2) the liabilities assumed solely by the Company and those jointly assumed on a pro-rata basis;

(3) the income generated from the sale of the products of the joint operation attributable to the Company;

(4) the income generated by the joint operation from the sale of products on a pro-rata basis;

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

Please refer to Note "III. (XV) Long-term equity investments" for details on the 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 to profit or loss from disposal for the current period.

(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.

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.

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.

(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.

(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.

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.

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.

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.

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 mainly comprise bills receivable, accounts receivable, receivables financing, 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. Bills receivable and accounts receivable

For bills receivable and accounts 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

If there is objective evidence that it has been impaired, and the bills receivable, accounts receivable, other receivables, and receivables financing are applicable to individual evaluation, the impairment test is conducted separately, and expected credit losses will be confirmed and provision for individual impairment will be made.

(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 certain portfolios 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 for choosing recognition portfolio of bills receivables and the method for calculating expected credit losses are as follows:

Items	The reason of choosing the portfolio	Method for calculating expected credit losses
Bills receivables	Bank acceptance bills	Regarding the credit rating of acceptance bank in bank acceptance bills as credit risk characteristics
	Commercial acceptance bills	Regarding the credit rating of acceptance house in commercial acceptance bills as the credit risk characteristics

The reason for choosing recognition portfolio of account receivables and the method for calculating expected credit losses are as follows:

Items	The reason of choosing the portfolio	Method for calculating expected credit losses
Account receivables	The portfolio of aging	Taking into account historical credit loss experience, current situation and forecasts of economic conditions, compiling the comparison table between aging and lifetime expected credit loss rates of accounts receivable, to calculate the expected credit loss
	Low credit risk portfolio	Taking into account historical credit loss experience, current situation and forecasts of economic conditions, based on default risk exposure and lifetime expected credit loss rates, the expected credit loss rates of such portfolio amounted to zero

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

In the groups, other methods are used to provide for bad debts:

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

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":

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.

The reason for recognition portfolio of receivables financing and the method for calculating expected credit losses are as follows:

Items	**Items that be reclassified**	**The reason of choosing the portfolio**	**Method for calculating expected credit losses**
Receivables financing	Bills receivables	Bank acceptance bills	Regarding the credit rating of acceptance bank in bank acceptance bills as credit risk characteristics
		Commercial acceptance bills	Regarding the credit rating of acceptance house in commercial acceptance bills as the credit risk characteristics
	Account receivables	The portfolio of aging	Taking into account historical credit loss experience, current situation and forecasts of economic conditions, compiling the comparison table between aging and lifetime expected credit loss rates of accounts receivable, to calculate the expected credit loss
		Low credit risk portfolio	Taking into account historical credit loss experience, current situation and forecasts of economic conditions, based on default risk exposure and lifetime expected credit loss rates, the expected credit loss rates of such portfolio amounted to zero

3. Other receivables

The reason for recognition portfolio of other receivables and the method for calculating expected credit losses are as follows:

Item	The reason of choosing the portfolio	Method for calculating expected credit losses
Other receivables	The portfolio of aging	Taking into account historical credit loss experience, current situation and forecasts of economic conditions, compiling the comparison table between aging and lifetime expected credit loss rates of other receivables, to calculate the expected credit loss
	Deposits, margins and reserves	Taking into account historical credit loss experience, current situation and forecasts of economic conditions, based on default risk exposure and lifetime expected credit loss rates, the expected credit loss rates of such portfolio amounted to zero
	Low credit risk portfolio	Taking into account historical credit loss experience, current situation and forecasts of economic conditions, based on default risk exposure and lifetime expected credit loss rates, the expected credit loss rates of such portfolio amounted to zero

4. Others

For other receivables such as 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.

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.

(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;

(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, investment properties using the fair value model for subsequent measurement 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.

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.

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.

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.

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.

(XVI) Investment property

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

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

(XVII) Fixed assets

1. Recognition and initial measurement 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.

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 of depreciation *(Years)*	Residual value rate *(%)*	Annual depreciation rate *(%)*
Plant and buildings	Straight-line method	30	3	3.23-4.85
Machinery and equipment	Straight-line method	6-18	3	5.28-16.17
Transportation tools	Straight-line method	5	3	19.00-19.40
Office equipment and others	Straight-line method	5	3	19.00-32.33

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.

(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.

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.

(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
Land use rights	50	straight-line method
Software	2-5	straight-line method

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

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

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

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

4. Specific criteria for the division of research phase and development phase

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

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

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

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;

(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, 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.

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.

The long-term expected amortisation expenses incurred by the Company are valued at the actual cost and amortized on an average basis according to the expected benefit period. For long-term expected amortization item that cannot benefit during the subsequent accounting periods, the amortized value of such item will be included in the current profit and loss when determining.

(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 presented on a net basis.

(XXIV) Employee benefits

1. Accounting treatment methods of Short-term benefits

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

With regard to 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.

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 methods 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.

(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.

(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.

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 Company. 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;

(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. Accounting policies for revenue recognition and calculation

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.

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 recognises 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.

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 or services.

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 delivery place designated by the customer and with customer's verification and signing of the relevant documents; (2) Revenue recognition for export sales: the revenue is recognized after the Company, based on its contracts or orders and customary business practices, delivers goods and goods leave the country with the completion of export declaration procedures.

(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 is 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.

(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.

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.

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.

(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 by adopting straight-line method in the subsequent years. 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.

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:

- fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive);

- variable lease payment that are based on an index or a rate;

- amounts expected to be payable under the guaranteed residual value provided by the Company;

- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;

- payments of penalties for terminating the lease option, if the lease term reflects that the Company will exercise that option.

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

The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into profit or loss in the period or cost of relevant assets.

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 changes, or the actual exercise condition of the aforementioned option disaccords with the original assessment, 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.

(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.

(5) COVID-19-Related Rent Concessions

The Company has adopted a simplified method for rent reductions, deferred payments and other rent concessions agreed on existing lease contracts that occurred as a direct consequence of the COVID-19 pandemic, and does not assess whether a lease change has occurred or reassess the lease classification:

- the lease consideration after concession is reduced or substantially unchanged in comparation with that before concession, and it shall be undiscounted or discounted at the discount rate before concession;

- the concession is only focuse on the lease payments payable before 30 June 2022; the increase in lease payments payable after 30 June 2022 still satisfies this condition, while the decrease in lease payment payable after 30 June 2022 does not affect the fulfillment of this condition;

- other items and conditions of the lease are determined to have no significant changes after comprehensive considerations for qualitative and quantative factors.

If the lease applies simplified method for COVID-19-related rent concessions, the Company shall not assess whether a lease change has occurred, calculating interest costs of lease liability based on the discount rate consistent with that before concession and including them into current profit or loss and depreciating right-of-use assets on the same basis as before concession. If rent reductions occurred, the Company shall treat the reduced rent as a variable lease payment and shall reduce the cost or expense of related assets by the undiscounted amount or discounted amount at the discount rate before concession when released from original rental payment obligation, such as entering into a concession agreement, and adjusts lease liabilities accordingly; for the delay payment, the Company shall reduce the lease liabilities recognized previously. If the payment of rent is delayed, the lease liability recognized in the previous period shall be offset when the actual payment is made.

For short-term leases and low-value asset leases, the Company shall continue charge the original contract rent into the cost or expense of related assets on a basis consistent with that used before concession. If rent concession occurred, the Company shall treat the reduced rent as a variable lease payment, reduce the cost or expense of related assets during concession period. For the delay payment, the Company shall recognize rents payable in the original payment period as accrued payables and reduce the accrued payables recognized in the previous period shall be offset when the actual payment is made.

2. The Company as a lessor

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

(1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognised as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases to be incurred by the Company shall be capitalized and then included in the current profit or loss by stages at the same base as the recognition of rental income over the lease term. The variable lease payments not included in the measurement of lease payments shall be recognised in profit or loss in the period in which they are occurred. The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(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 Group 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.

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".

(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.

(XXXIV) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances. The estimates and assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next year are described below:

1. Estimated useful lives and residual values of fixed assets

The Group's management determines the estimated useful lives and residual values of property, machinery and equipment, mainly based on the historical experience of the actual useful lives of property, machinery and equipment with similar nature and functions. Management will revise the depreciation charges where estimated useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

2. Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

3. Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and current income tax charges. Income tax charges should be recognised in the period in which such estimate is changed.

4. Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting periods. Information related to all key assumptions are disclosed in note III (X) and III (XI).

5. Impairment of non-financial assets

The Group's management judgement is required on the balance sheet date in the area of asset impairment particularly in assessing long-term assets which include fixed asset, construction in progress and intangible assets etc. The recoverable amount is the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business. The revalued recoverable amount may be adjusted on each impairment test. Relevant information is disclosed in Note III (XXI).

(XXXV) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

(1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 14

On 2 February 2021, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 14 (Cai Kuai [2021] No. 1, hereinafter referred to as "**Interpretation No. 14**") which will be effective on the date of the announcement. Relevant operations newly added from 1 January 2021 to the effective date will be adjusted in accordance with Interpretation No. 14.

① Interest Rate Benchmark Reform

Interpretation No. 14 provides simplified accounting treatment for changes in the basis for determining cash flows related to financial instrument contracts and lease contracts as a result of the interest rate benchmark reform.

In accordance with the provisions of the interpretation, a retrospective adjustment should be applied to operations related to the benchmark interest rate reform that occurred before 31 December 2020, unless otherwise it is impractical to do so, and there is no need to adjust the prior period comparative financial statement data. At the effective date of the interpretation, the difference between the original and new carrying amounts of financial assets and financial liabilities shall be included in opening retained earnings or other comprehensive income for the annual reporting period in which the Interpretation is effective. The implementation of the provision did not have a material impact on the Company's financial position and operating results.

(2) Implementation of the Circular on Adjustment to the Scope of Implementation of the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic

On 19 June 2020, the Ministry of Finance issued the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic (Cai Kuai [2020] No. 10), pursuant to which, enterprises can choose to adopt a simplified method for accounting treatment of rent concessions, such as rent remission and deferred payment, which are directly caused by COVID-19 Pandemic.

On 26 May 2021, the Ministry of Finance issued the Circular on Adjustment to the Scope of Implementation of the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic (Cai Kuai [2020] No. 9), with effect from 26 May 2021, adjusting the scope of implementation of adopting a simplified method for accounting treatment of rental concession related to COVID-19 pandemic as stipulated in the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic from "any reduction or concession in lease payments affects only lease payments payable before 30 June 2021" to "any reduction or concession in lease payments affects only lease payments payable before 30 June 2022", and other applicable conditions remain unchanged.

The Company has chosen to adopt a simplified method for accounting treatment for all qualified lease contracts before the scope adjustment, and has adopted a simplified method for accounting treatment for all qualified similar lease contracts after the scope adjustment. The Company has also made retrospective adjustments to the relevant lease contracts that have adopted the accounting treatment for lease changes before the issuance of the Notice, but does not adjust the data in the comparative financial statements for the previous period. The relevant rent concessions that have not been accounted for in accordance with the provisions of the Notice occurred between 1 January 2021 and the effective date of the Notice shall be adjusted in accordance with the Notice.

(3) Implement the related presentation refer to centralized capital management in the Accounting Standards for Business Enterprises No.15

The Ministry of Finance issued the Accounting Standards for Business Enterprises No.15 (Cai Kuai [2021] No.35, hereinafter referred to as "the Interpretation No. 15"), carrying out "related centralized capital management presentation" from the date of announcement and accordingly adjusting the financial statement data at the comparable period.

The Interpretation No.15 specifies how the balance relating to the centralized and unified capital management carried out by enterprises for parent companies and members through the internal settlement center and finance companies, shall be presented and disclosed in the balance sheet. The implementation for the regulation has no significant impact on the financial position and operating results of the Company.

2. Changes in significant accounting estimates

Nil.

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%, 9%, 6%, 5%, 3%, 1%
Urban maintenance and construction tax	Based on value added tax and consumption taxes paid	7%, 5%
Enterprise income tax	Based on taxable profits	20%, 15%
Educational surcharge	Based on value added tax and consumption taxes paid	3%, 2%

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%
Xianyang IRICO Photovoltaic Glass Co., Ltd. (咸陽彩虹光伏玻璃有限公司)	15%
Jiangxi IRICO Photovoltaic Co., Ltd. (江西彩虹光伏有限公司)	20%

(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)) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration, from 1 January 2011 to 31 December 2020, enterprise income tax imposed upon any enterprises established in western regions which are engaging in the encouraged industries shall be subject to a reduced rate at 15%, with effect from 1 January 2011. On 23 April 2020, the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission jointly issued the Announcement on the Continuation of the Corporate Income Tax Policy for Western Development (Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and

Reform Commission of [2020] No. 23), which specifies that "from 1 January 2021 to 31 December 2030, enterprises in the encouraged industries located in the western regions shall be subject to a reduced corporate income tax rate of 15%. For the purpose of this article, "enterprise in an encouraged industry" means an enterprise whose main business is within the scope of industry projects set out in the Catalogue of Encouraged Industries in western regions and whose revenue from its main business accounts for 60% or more of its gross income. According to the Catalogue of Encouraged Industries in western China (2020 Edition) (Decree No. 40 of the National Development and Reform Commission, which came into force on 1 March 2021), "high-end and high-quality float glass, electronic glass, automobile and photovoltaic glass production and downstream deep processing" belongs to the encouraged industry in western regions. The Company, Xianyang Photovoltaic and Yan'an New Energy, the subsidiaries of the Company, fulfilled the conditions for preferential tax policy of the western development, was entitled to the preferential tax policy of the western development and shall be subject to a reduced corporate income tax rate at 15% during the reporting period.

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, the Department of Finance of Anhui Province and Anhui Provincial Tax Service of the State Taxation Administration on 24 July 2018, and the validity period of the certificate is three years. Hefei Photovoltaic obtained a High and New Technology Enterprise (Certificate No. GR202134001668) again issued by the Science and Technology Department of Anhui Province, the Department of Finance of Anhui Province and Anhui Provincial Tax Service of the State Taxation Administration on 19 September 2021, and the validity period of the certificate is three years.

3. Jiangxi Photovoltaic, a subsidiary of the Company, is qualified as the small low-profit enterprise stipulated in the Enterprise Income Tax Law of the People's Republic of China and its implementation rules. From 1 January 2021 to 31 December 2022, for the portion of annual taxable income less than RMB1 million for small low-profit enterprises, 12.5% of the amount will be reduced and included into the taxable income amount and the corporate income tax shall be levied at a tax rate of 20%.

4. 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第512號)), qualified environmental protection, energy and water saving projects mentioned in Article 27(3) of the Enterprise Income Tax Law include public sewage treatment, public refuse disposal, comprehensive development and utilization of biogas, technological upgrade of energy saving and remission reduction, seawater desalination, etc. Enterprises engaged in the abovementioned qualified environmental protection, energy and water conservation projects, shall be exempted from entire EIT on income derived therefrom for the first to third years, and entitled to a 50% tax reduction from the fourth to sixth years, commencing from the assessable year during which relevant projects start to generate manufacturing or operating revenue. Hefei Photovoltaic completed the filing for EIT preferential matters in July 2016 and enjoyed a exemption period commencing on 1 January 2018 and ending on 31 December 2018 and the reduction period commencing on 1 January 2019 and ending on 31 December 2021.

5. Hefei Photovoltaic, a subsidiary of the Company, pursuant to the regulations of the Notice of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses ("Cai Shui [2018] No.99"), is required to deduct 75% of the amount actually incurred which shall be deducted before tax payment, in addition to the deduction as prescribed to the extent of the amount actually incurred for the period from 1 January 2018 to 31 December 2020, where the research and development expenses incurred by an enterprise in research and development activities do not form intangible assets and are included in the current period's profit or loss; and make pretax amortisation based on 175% of the costs of the intangible assets during the above period where intangible assets are formed. According to the regulations of the Notice on Further Improvement of the Policy of Weighted Pre-tax Deduction on Research and Development Expenses (Announcement of Ministry of Finance and the State Taxation Administration No. 13 of 2021, which is applicable to since 1 January 2021, for research and development expenses actually incurred by manufacturing enterprises in carrying out research and development activities, where intangible assets have not been formed and included in the profit or loss of the current period, 100% of the actually incurred amount are allowed for pre-tax deduction, on the basis of actual deduction pursuant to the provisions; where intangible assets have been formed, amortization shall be based on 200% of the costs of the intangible assets before tax.

V. SEGMENT REPORTING

Due to the Company's highly integrated business and unified internal organizational structure, the Company's management does not have separate management of operating activities in terms of technology and marketing strategy, nor does it have reportable segments.

Revenue from geographical information

	2021	2020 (restated)
The PRC (excluding Hong Kong)	**2,046,754,957.83**	2,379,278,547.33
Other countries or regions	**20,307,744.25**	139,230,478.47
Total	**2,067,062,702.08**	2,518,509,025.80

Information about major customers

In 2021, the Company had two customers which individually represented over 10% of the Company's total external sales. The external sales to the customers during the years were as follows:

Customer	**2021**	2020 (restated)
Customer A	**260,113,780.72**	299,965,022.23
Customer B	**213,001,740.22**	109,866,042.39
Total	**473,115,520.94**	409,831,064.62

The revenue from customer A and B was from the photovoltaic glass products business.

VI. ACCOUNTS RECEIVABLE

1. Accounts receivable shown by aging based on the recording date

Aging	**31 December 2021**	31 December 2020 (restated)
Within 1 year		
Including: 0–6 months (inclusive)	**326,346,459.06**	231,468,305.66
7–12 months (inclusive)	**2,742,804.98**	2,242,477.95
Subtotal of within 1 year	**329,089,264.04**	233,710,783.61
1–2 years (inclusive)	**8,453,629.51**	7,423,094.15
2–3 years (inclusive)	**7,078,153.00**	7,137,268.75
Over 3 years	**15,896,875.40**	16,139,908.53
Subtotal	**360,517,921.95**	264,411,055.04
Less: provision for bad debts	**18,155,808.58**	16,697,661.51
Total	**342,362,113.37**	247,713,393.53

Note: the aging of accounts receivable is shown by aging based on the recording date.

	31 December 2021					31 December 2020 (restated)				
Category	**Book balance**		**Allowance for bad debts**			Book balance		Allowance for bad debts		
	Amount	**Proportion (%)**	**Amount**	**Appropriation proportion (%)**	**Carrying amount**	Amount	Proportion (%)	Amount	Appropriation proportion (%)	Carrying amount
Allowance for bad debts is made based on individual basis	**519,032.00**	**0.14**	**519,032.00**	**100.00**						
Allowance for bad debts is made on group basis	**359,998,889.95**	**99.86**	**17,636,776.58**	**4.90**	**342,362,113.37**	264,411,055.04	100.00	16,697,661.51	6.32	247,713,393.53
Including: By aging	**345,979,410.68**	**95.97**	**17,636,776.58**	**5.10**	**328,342,634.10**	247,349,405.64	93.55	16,697,661.51	6.75	230,651,744.13
Low credit risk portfolio	**14,019,479.27**	**3.89**			**14,019,479.27**	17,061,649.40	6.45			17,061,649.40
Total	**360,517,921.95**	**100.00**	**18,155,808.58**		**342,362,113.37**	264,411,055.04	100.00	16,697,661.51		247,713,393.53

Allowance for bad debts made on individual basis:

Name	Book balance	Allowance for bad debts	Appropriation proportion (%)	Reasons for making allowance
	31 December 2021			
Zhejiang Yuhui Sunshine Energy Co., Ltd	519,032.00	519,032.00	100.00	Abnormal operation
Total	519,032.00	519,032.00	100.0 0	Abnormal operation

Allowance for bad debts made on group basis:

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

Name	Accounts receivables	Allowance for bad debts	Appropriation proportion (%)
	31 December 2021		
0–6 months (inclusive)	324,046,139.94		
7–12 months (inclusive)	931,234.89	9,312.35	1.00
1–2 years (inclusive)	4,109,957.00	1,232,987.10	30.00
2–3 years (inclusive)	995,203.45	497,601.73	50.00
Over 3 years	15,896,875.40	15,896,875.40	100.00
Total	345,979,410.68	17,636,776.58	

Items for which allowance is made on group basis:by low credit risk portfolio

Name	Accounts receivables	Allowance for bad debts	Appropriation proportion (%)
	31 December 2021		
Low credit risk portfolio	14,019,479.27		
Total	14,019,479.27		

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

Category	31 December 2020 (restated)	Changes during the period Provision	Recovered or reversed	Charged off or written off	31 December 2021
Single item of bad debt provision		519,032.00			519,032.00
receivables that are subject to provision for bad debts on credit risk characteristics	16,697,661.51	1,182,462.50	68,165.18	175,182.25	17,636,776.58
Including: By aging	16,697,661.51	1,182,462.50	68,165.18	175,182.25	17,636,776.58
By low credit risk portfolio					
Total	16,697,661.51	1,701,494.50	68,165.18	175,182.25	18,155,808.58

4. Accounts receivable actually written off in the period

Item	Write-off amount
Accounts receivable actually written off	175,182.25

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
Realforce Power Co., Ltd (潤峰電力有限公司)	Loan	94,930.25	Unlikely to be recovered	Resolution by the board of the directors	No
Xianyang Huaxin Communication Equipment Co., Ltd (咸陽華信通訊設備有限公司)	Loan	53,451.20	Unlikely to be recovered	Resolution by the board of the directors	No
Henan Guokong Yufei Electronic Glass Co., Ltd (河南國控宇飛電子玻璃有限公司)	Loan	26,800.80	Unlikely to be recovered	Resolution by the board of the directors	No
Total		175,182.25			

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

Name of unit	Accounts receivable	31 December 2021 Percentage of total accounts receivable (%)	Allowance for bad debt
Jinko Solar (Chuzhou) Co., Ltd. (晶科能源（滁州）有限公司)	82,671,918.16	22.93	
Xianyang LONGi Solar Technology Co., Ltd.(咸陽隆基樂葉光伏科技有限公司)	46,892,500.65	13.01	
JA Solar (Yangzhou) New Energy Co., Ltd. 晶澳（揚州）新能源有限公司	29,669,665.47	8.23	
Chuzhou LONGi Solar Photovoltaic Technology Co., Ltd.(滁州隆基樂葉光伏科技有限公司)	26,518,735.12	7.36	
Anhui Daheng Energy Technology Co., Ltd. 安徽大恒能源科技有限公司	23,760,740.54	6.59	
Total	209,513,559.94	58.12	

VII. OTHER RECEIVABLES

Item	**31 December 2021**	31 December 2020 (restated)
Interests receivable		
Dividends receivable		
Other receivable	**35,599,357.48**	374,583,997.35
Total	**35,599,357.48**	374,583,997.35

1. Other receivables

(1) Other receivables disclosed by aging

Aging	**31 December 2021**	31 December 2020 (restated)
Within 1 year		
Including: 0–6 months (inclusive)	**892,501.12**	323,923,724.61
7–12 months (inclusive)	**10,121,900.00**	7,665,346.71
Subtotal of within 1 year	**11,014,401.12**	331,589,071.32
1–2 years (inclusive)	**11,535,917.00**	13,775,183.51
2–3 years (inclusive)	**11,250,000.00**	9,285,144,70
Over 3 years	**1,802,014.46**	19,934,597.82
Sub-total	**35,602,332.58**	374,583,997.35
Less: provision for bad debts	**2,975.10**	
Total	**35,599,357.48**	374,583,997.35

(2) Other receivables disclosed according to provision for bad debts

Category	**31 December 2021**					31 December 2020 (restated)				
	Book balance		**Allowance for bad debts**			Book balance		Allowance for bad debts		
	Amount	**Proportion (%)**	**Amount**	**Appropriation Proportion (%)**	**Carrying amount**	Amount	Proportion (%)	Amount	Appropriation proportion (%)	Carrying amount
Allowance for bad debts is made on group basis	**35,602,332.58**	**100.00**	**2,975.10**	**0.01**	**35,599,357.48**	374,583,997.35	100.00			374,583,997.35
Including: By aging	**9,917.00**	**0.03**	**2,975.10**	**30.00**	**6,941.90**	176,602.37	0.05			176,602.37
By deposits, margins and reserves	**35,592,415.58**	**99.97**			**35,592,415.58**	57,032,525.98	15.22			57,032,525.98
By low credit risk						317,374,869.00	84.73			317,374,869.00
Total	**35,602,332.58**	**100.00**	**2,975.10**		**35,599,357.48**	374,583,997.35	100.00			374,583,997.35

Allowance for bad debts made on group basis

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

Name	31 December 2021 Other receivable	Allowance for bad debts	Appropriation proportion *(%)*
0–6 months (inclusive)			
7–12 months (inclusive)			
1–2 years (inclusive)	**9,917.00**	**2,975.10**	**30.00**
2–3 years (inclusive)			
Over 3 years			
Total	**9,917.00**	**2,975.10**	

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

Name	31 December 2021 Closing balance Other receivable	Allowance for bad debts	Appropriation proportion *(%)*
By deposits, margins and reserves	**35,592,415.58**		
Total	**35,592,415.58**		

(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
As at 31 December 2020 (restated)				
Balance at the end of last year (restated) during the period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Made in the period	2,975.10			2,975.10
Reversed in the period				
Charged off in the period				
Written off in the period				
Other changes				
31 December 2021	2,975.10			2,975.10

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
As at 31 December 2020 (restated)	374,583,997.35			374,583,997.35
Balance at the end of last year (restated) during the period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Addition in the period	48,358,067.71			48,358,067.71
Derecognition in the period	387,339,732.48			387,339,732.48
Other changes				
31 December 2021	35,602,332.58			35,602,332.58

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

Category	31 December 2020 (restated)	Changes during the period Provision	Recovered or reversed	Charged off or written off	31 December 2021
Single item of bad debt provision					
Allowance for bad debts made on group basis:		2,975.10			**2,975.10**
Total		2,975.10			2,975.10

(6) Receivables by nature

Nature	**31 December 2021**	31 December 2020 (restated)
By deposits, margins and reserves	**35,592,415.58**	57,032,525.98
By trading receivables and other receivables	**9,917.00**	20,506,602.37
Equity interest		291,044,869.00
Total	**35,602,332.58**	374,583,997.35

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

Name of unit	Nature of payment	31 December 2021	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of allowance for bad debts
Xianyang City Qindu District Stateowned Investment Company* (咸陽市秦都區國有投資公司)	Deposits	10,000,000.00	Within 1 year	28.09	
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	Margins	7,500,000.00	1 to 2 years	21.07	
Yan'an Gas Co., Ltd. (延安市燃氣有限責任公司)	Deposits	5,000,000.00	2 to 3 years	14.04	
AVIC International Leasing Co., Ltd. (中航國際租賃有限公司)	Margins	4,000,000.00	1 to 2 years	11.24	
Leasing Co., Ltd. (平安國際融資租賃有限公司)	Margins	4,000,000.00	2 to 3 years	11.24	
Total		30,500,000.00		85.68	

VIII. OTHER INVESTMENT IN EQUITY INSTRUMENTS

1. Details of other investment in equity instruments

Items	31 December 2021	31 December 2020 (restated)
IRICO Display Devices Co., Ltd. (彩虹顯示器件股份有限公司)	**241,262,089.86**	235,601,982.18
Shaanxi IRICO Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公司)	**78,480,597.18**	73,328,400.98
Total	**319,742,687.04**	308,930,383.16

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 RMB6.82 per share.

Note 2: There were 7.2953% shareholding of Shaanxi IRICO Electronics Glass Co., Ltd. held at the end of the period.

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.			405,773,501.26		Investment in non- trading equity instruments	
Shanxi IRICO Electronics Glass Co., Ltd.			24,535,660.63		Investment in non- trading equity instruments	

IX. SHORT-TERM BORROWINGS

1. Categories of short-term borrowings

Item	**31 December 2021**	31 December 2020 (restated)
Guaranteed borrowings	**792,628,059.63**	475,191,483.33
Pledged borrowings	**150,181,041.67**	100,000,000.00
Guaranteed and mortgaged borrowings		100,000,000.00
Total	**942,809,101.30**	675,191,483.33

2. Descriptions of the classification of short-term borrowings:

Guaranteed borrowings:

Lender	31 December 2021	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)	181,918,701.36	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Electronics Finance Co., Ltd. (中國電子財務有限責任公司)	100,132,916.66	IRICO Group Corporation Limited* (彩虹集團有限公司)
Industrial and Commercial Bank of China Co., Ltd. Hefei Fengshan Road Sub-branch (中國工商銀行股份有限公司合肥鳳山路支行)	100,121,618.75	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)

Lender	31 December 2021	Guarantor
Hefei Science and 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)	97,140,097.22	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Construction Bank Corporation Xianyang Rainbow Sub-branch (中國建設銀行股份有限公司咸陽彩虹支行)	50,058,819.44	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Bank of China Limited Xianyang Branch (中國銀行股份有限公司咸陽分行)	40,053,166.67	IRICO Group Corporation Limited* (彩虹集團有限公司)
Bank of Dongguan Co., Ltd. Hefei Science and Technology Sub-branch (東莞銀行股份有限公司合肥科技支行)	38,280,515.64	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Hua Xia Bank Co., Ltd. Xi'an Branch (華夏銀行股份有限公司西安分行)	30,039,875.00	IRICO Group Corporation Limited* (彩虹集團有限公司)
Bank of Beijing Co., Ltd. Xi'an Dazhai Road Sub-branch (北京銀行股份有限公司西安大寨路支行)	30,039,875.00	IRICO Group Corporation Limited* (彩虹集團有限公司)
China Guangfa Bank Co., Ltd. Hefei Feixi Sub-branch (廣發銀行股份有限公司合肥肥西支行)	30,035,291.67	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Nanyang Commercial Bank (China) Co., Ltd. Hefei Branch (南洋商業銀行（中國）有限公司合肥分行)	29,000,695.07	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 Shouchun Road Sub-branch (興業銀行股份有限公司合肥壽春路支行)	21,880,494.41	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Zheshang Bank Co., Ltd. Xianyang Branch (浙商銀行股份有限公司咸陽分行)	20,026,583.34	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Guangfa Bank Co., Ltd. Hefei Feixi Sub-branch (廣發銀行股份有限公司合肥肥西支行)	13,778,920.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Construction Bank Corporation Yan'an Branch (中國建設銀行股份有限公司延安分行)	10,120,489.40	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	792,628,059.63	

Pledged borrowings:

Lender	31 December 2021	Pledge
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	**150,181,041.67**	Plant and buildings, lands
Total	**150,181,041.67**	Plant and buildings, lands

X. NOTES PAYABLES

Category	**31 December 2021**	31 December 2020 (restated)
Bank acceptance bills	**719,078,281.00**	787,479,806.64
Trade acceptance bills	**10,000,000.00**	6,194,870.74
Total	**729,078,281.00**	793,674,677.38

XI. ACCOUNTS PAYABLE

1. Accounts receivable shown by aging based on the recording date

Item	**31 December 2021**	31 December 2020 (restated)
Within 1 year (inclusive)	**341,698,475.23**	693,354,309.70
1 to 2 years (inclusive)	**151,085,797.90**	84,075,511.76
2 to 3 years (inclusive	**16,255,242.66**	13,329,598.60
Over 3 years	**21,656,439.97**	29,865,147.79
Total	**530,695,955.76**	820,624,567.85

Note: the aging of accounts receivable is shown by aging based on the recording date.

2. Significant accounts payable aged over 1 year

Item	31 December 2021	Reasons for outstanding or carried forward
IRICO Group Corporation Limited*（彩虹集團有限公司）	**102,263,711.85**	Not settled
Xianyang Cailian Packaging Materials Co., Ltd.（咸陽彩聯包裝材料有限公司）	**6,047,654.42**	Not settled
Qinhuangdao Tucheng Glass Technology Co., Ltd.（秦皇島圖成玻璃技術有限公司）	**5,931,000.00**	Not settled
Xidian Baoji Electric Co., Ltd.（西電寶雞電氣有限公司）	**4,014,461.90**	Not settled
No. 9 Metallurgical Construction Co., Ltd.（九冶建設有限公司）	**3,015,923.61**	Not settled
Siping Hongda Hydraulic Machinery Manufacturing Co., Ltd.（四平宏大液壓機械製造有限公司）	**1,981,760.72**	Not settled
Shaanxi Dinghong Industrial Co., Ltd.（陝西鼎宏實業有限公司）	**1,843,664.73**	Not settled
Xianyang Hongda Chemical Co., Ltd.（咸陽宏達化工有限公司）	**1,615,961.04**	Not settled
Wuxi Tianfeng Environmental Protection Equipment Factory（無錫市天峰環保設備廠）	**1,316,504.57**	Not settled
Zhenjiang Meijie Super Hard Materials Co., Ltd.（鎮江美杰超硬材料有限公司）	**1,211,523.90**	Not settled
Sichuan Deyang Jinghong Machinery Manufacturing Co., Ltd.（四川省德陽市旌宏機器製造有限公司）	**1,024,564.10**	Not settled
Total	**130,266,730.84**	Not settled

3. Accounts payable by nature

Item	**31 December 2021**	31 December 2020 (restated)
Payables for materials	**275,353,087.29**	416,996,987.01
Payables for equipment	**181,033,723.02**	264,171,565.11
Payables for transportation	**43,870,059.54**	47,724,680.31
Payables for construction	**16,959,566.40**	66,886,093.95
Payables for services	**13,111,005.78**	24,023,837.47
Others	**368,513.73**	821,404.00
Total	**530,695,955.76**	820,624,567.85

XII. OTHER PAYABLES

Items	**31 December 2021**	31 December 2020 (restated)
Interest payable		
Dividends payable		
Other payables	**67,381,715.92**	79,803,624.06
Total	**67,381,715.92**	79,803,624.06

(1) Payables stated by nature

Item	**31 December 2021**	31 December 2020 (restated)
Loans from non-financial institutions and interest thereon	**31,092,733.24**	31,112,524.96
Property leasing fee	**9,307,090.18**	6,243,749.02
Retention money and deposits	**6,874,689.52**	8,662,701.52
Subsidies payable	**4,725,000.00**	4,725,000.00
Agency fees	**3,757,914.19**	7,559,188.19
Amounts due to related parties	**3,505,814.14**	7,505,814.14
Advances on behalf	**3,211,997.65**	3,312,321.52
Current accounts with related parties	**10,391.64**	2,715,186.21
Others	**4,896,085.36**	7,967,138.50
Total	**67,381,715.92**	79,803,624.06

(2) Other major payables aged more than one year

Item	**31 December 2021**	Reasons for outstanding or carried forward
Zhangjiagang Economic Development Zone Holding Group Co., Ltd. (張家港經開區控股集團有限公司)	**31,092,733.24**	Not settled
Total	**31,092,733.24**	Not settled

XIII. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Items	**31 December 2021**	31 December 2020 (restated)
Long-term payables due within one year	**101,273,739.51**	280,124,551.62
Long-term loans due within one year	**103,362,476.78**	26,498,392.25
Lease liabilities due within one year	**555,699.48**	2,665,221.28
Less: Amortized finance lease service payments due within one year	**1,304,100.00**	4,185,600.03
Total	**203,887,815.77**	305,102,565.12

Explanations on long-term borrowings due within one year:

Guaranteed borrowings:

Lender	31 December 2021	Guarantor
Shanghai Pudong Development Bank Co., Ltd. Xianyang Branch (上海浦東發展銀行股份有限公司咸陽分行)	**60,296,388.89**	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Hefei Science & Technology Rural Commercial Bank Co., Ltd. Xinzhan Sub-branch (合肥科技農村商業銀行股份有限公司新站支行)	**18,530,719.98**	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)
China CITIC Bank Co., Ltd. Hefei Economic Development Zone Sub-branch(中信銀行股份有限公司合肥經開區支行)	**10,038,958.33**	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Everbright Bank Co., Ltd. Hefei Linquan Road Sub-branch(中國光大銀行股份有限公司合肥臨泉路支行)	**10,035,145.00**	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Chang'an Bank Limited Xianyang Caihong Sub-branch (長安銀行股份有限公司咸陽彩虹支行)	**4,461,264.58**	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)
Total	**103,362,476.78**	

Explanations on long-term payables due within one year:

Lender	31 December 2021	Collateral/guarantor
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	**52,151,314.23**	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
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)	**17,803,580.24**	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司)	**11,818,845.04**	Fixed assets/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)
Total	**101,273,739.51**	

XIV. OTHER CURRENT LIABILITIES

Items	**31 December 2021**	31 December 2020 (restated)
Bills endorsement	**152,531,886.98**	342,504,371.68
Taxes	**494,230.12**	9,564,881.86
Total	**153,026,117.10**	352,069,253.54

XV. LONG-TERM BORROWINGS

Classification of long-term borrowings:

Items	**31 December 2021**	31 December 2020 (restated)
Guaranteed borrowings	**472,400,000.00**	202,230,300.00
Pledged borrowings		27,830,000.00
Total	**472,400,000.00**	230,060,300.00

Explanations on classification of long-term borrowings:

Guaranteed borrowings:

Lender	**31 December 2021**	**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)	294,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Shanghai Pudong Development Bank Co., Ltd. Xianyang Branch (上海浦東發展銀行股份有限公司咸陽分行)	140,000,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China CITIC Bank Corporation Limited Hefei Economic Development Zone Sub-branch (中信銀行股份有限公司合肥經開區支行)	20,000,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Everbright Bank Co., Ltd. Hefei Linquan Road Sub-branch (中國光大銀行股份有限公司合肥臨泉路支行)	18,400,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	472,400,000.00	

XVI. LONG-TERM PAYABLES

Items	**31 December 2021**	31 December 2020 (restated)
Long-term payables	**13,465,592.05**	109,108,886.69
Total	**13,465,592.05**	109,108,886.69

1. Long-term payables

Items	**31 December 2021**	31 December 2020 (restated)
Financing leasing expenses	**13,653,568.04**	114,598,586.72
Unrecognized financing expenses	**-187,975.99**	-5,489,700.03
Total	**13,465,592.05**	109,108,886.69

Explanation on long-term payables:

Lender	**31 December 2021**	**Collateral/guarantor**
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	**13,653,568.04**	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), IRICO GroupCorporation Limited* (彩虹集團有限公司)
Total	**13,653,568.04**	

XVII. FINANCE COSTS

Item	2021	2020 (restated)
Interest expenses	**69,107,769.77**	116,589,732.43
Including: Interest expenses on lease liabilities	**449,714.39**	749,424.42
Less: Interest income	**6,146,823.05**	8,629,348.73
Exchange gains or losses	**-186,876.02**	17,839,167.47
Others	**6,662,472.52**	15,210,489.94
Total	**69,436,543.22**	141,010,041.11

XVIII. INVESTMENT INCOME

Item	2021	2020 (restated)
Long-term equity investment gains measured under equity method	**-2,778,021.65**	-1,784,333.19
Investment income from disposal of financial assets at fair value through current profit or loss	**334,705.93**	663,514.25
Bills discounted interest	**-7,589,811.30**	-9,807,847.71
Investment income from disposal of long-term equity investment		73,877,247.66
Income from derecognition of financial assets measured at amortized cost		-10,581,569.94
Income from CSC-China Electronics third tranches of ABS secondary income right		159,706.55
Total	**-10,033,127.02**	52,526,717.62

XIX. EARNINGS PER SHARE

1. Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to holders of ordinary shares of the Company by weighted average number of ordinary shares in issue of the Company.

Item	2021	2020 (restated)
Consolidated net profit attributable to holders of ordinary shares of the parent company	**162,604,143.80**	219,661,691.05
Weighted average number of ordinary shares in issue of the Company	**133,185,670.00**	133,185,670.00
Basic earnings per share	**1.2209**	1.6493
Including: Basic earnings per share relating to continuing operations	**1.2209**	1.6321
Basic earnings per share relating to discontinued operations		0.0172

The weighted average of ordinary shares is calculated as follows:

Item	2021
Number of ordinary shares in issue at the beginning of year	2,663,713,400.00
Add: Weighted average number of ordinary shares issued during the period	
Less: Number of reduced shares during the reporting period	2,530,527,730.00
Weighted average number of ordinary shares in issue at the end of year	133,185,670.00

Note: In order to maintain the comparability of accounting indicators in the previous and future periods, earnings per share during the reporting period has been recalculated based on the adjusted number of shares. Therefore, the weighted average number of ordinary shares outstanding at the end of 2020 (restated) was 133,185,670.00.

2. Diluted earnings per share

Diluted earnings per share is calculated by consolidated net profit attributable to holders of ordinary shares of the Company (diluted) by the weighted average number of ordinary shares in issue of the Company (diluted).

Item	**2021**	2020 (restated)
Consolidated net profit attributable to holders of ordinary shares of the parent company (diluted)	**162,604,143.80**	219,661,691.05
Weighted average number of ordinary shares in issue of the Company (diluted)	**133,185,670.00**	133,185,670.00
Diluted earnings per share	**1.2209**	1.6493
Including: Diluted earnings per share relating to continuing operations	**1.2209**	1.6321
Diluted earnings per share relating to discontinued operations		0.0172

Weighted average number (diluted) of ordinary shares is calculated as follows:

Item	**2021**	**2020** (restated)
Weighted average number of ordinary shares in issue at the end of year when the basic earnings per share is calculated	133,185,670.00	133,185,670.00
Effects of convertible bonds		
Effects of share options		
Weighted average number (diluted) of ordinary shares at the end of the year	133,185,670.00	133,185,670.00

XX. DIVIDEND

As at 31 December 2021, the Board did not declare any dividend.

RESULTS AND DIVIDEND

During the reporting period, the Group recorded operating revenue of RMB2,067.06 million, representing a year-on-year decrease of RMB451.45 million or 17.93%, and net profit attributable to shareholders of the parent of RMB185.56 million, representing a year-on-year increase of RMB14.23 million or 8.31%.

The Company's original dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2021, the Board has resolved not to distribute any final dividends for the year ended 31 December 2021, which is subject to the approval from shareholders at the 2021 annual general meeting held in 2022. Further details in relation to the closure of register of member for H shares will be announced by the Company after confirming the arrangement of such general meeting.

BUSINESS REVIEW

During the reporting period, the Group seized the new opportunities brought by the "dual carbon" goal, strengthened and expanded the core business of solar photovoltaic glass, continued to promote the stable operation of the photovoltaic glass production bases in Hefei and Yan' an, fully utilized the existing advantages of large-scale and intelligent production, accelerated the development process of new projects in Shangrao and Xianyang, and at the same time accelerated technological innovation, increased the proportion of new photovoltaic glass products such as thin and large-size, built a digital supply and sales platform, strengthened cost control, and adhered to the strategy of large customers. During the reporting period, the Group recorded an operating income of RMB2,067.06 million and a total profit of RMB185.56 million.

Solar photovoltaic glass business

During the reporting period, the Hefei base, which was awarded the title of High and New Technology Enterprise in Anhui Province, achieved an effective improvement in the annual cumulative output and product yield of the first and second-phase furnaces through powerful measures such as new product research and development, benchmarking and potential exploration, quality and efficiency improvement, and production and sales coordination, laying a solid foundation for the transformation and upgrading of the Group's production lines, the construction of industrial segments and the sustainable development in the future; meanwhile, with the continuous promotion of the "dual-carbon" strategy, the Group's oxygen-fuel combustion green furnace production technology has become more advantageous, which plays a good demonstration role in the development of the photovoltaic glass industry.

The project on construction of a smart plant for solar photovoltaic glass manufacture undertaken by Yan' an Base was accepted and passed by the expert group on 12 April 2021. Its key manufacturing manufacture process and plant management have reached national standards for smart manufacture, achieving the coordinated design and intelligent scheduling of the production process of photovoltaic glass, and greatly improving the production efficiency and product quality. During the reporting period, the cumulative annual production volume of Yan' an Base increased significantly. With the continuous development of smart plant, the Group's core competitiveness has been rapidly improved, and its operating efficiency has continued to grow, laying a solid foundation for the in-depth research and development of smart manufacturing in the photovoltaic glass manufacturing industry.

IRICO Shangrao ultra-thin and high-transmissivity photovoltaic glass base is an important strategic measure for the Group to deepen cooperation with local government, accelerate the expansion of production capacity and consolidate market share. It is planned to invest in the construction of ten ultra-thin and high-transmissivity photovoltaic glass furnaces and supporting processing production lines in three phases, mainly supporting photovoltaic modules for ground power stations and BIPV modules. The construction of three furnaces and supporting production lines in the first phase has commenced on 1 March 2021.

IRICO Xianyang ultra-thin and high-transmissivity photoelectric glass base invested in the construction of an intelligent, digital and modern glass processing plant, and put into operation five ultra-thin and high-transmissivity photoelectric glass deep processing production lines step by step, mainly supporting the production of photovoltaic glass for double-sided double-glass, large-size and differentiated photovoltaic modules. At present, the construction of the plant being accelerated.

While accelerating capacity expansion, the Group attaches great importance to independent innovation and production line innovation, and has formed an independent research and development system including large-volume thin photovoltaic glass calendering and tempering technology and wide-scale calendering and forming technology, which promotes the intelligent, thin and large-scale development of the Group's photovoltaic glass production base. During the reporting period, the Group's thin and large-sized photovoltaic glass has reached a stable supply capacity, the proportion of production and sales has continued to increase, and the process technology development and mass production of double-layer plating products have continued to make breakthroughs, and mass sales have been achieved. With the full operation of the ultra-thin and high-transmissivity photovoltaic glass bases in Shangrao and Xianyang, the proportion of new photovoltaic glass products of the Group will increase significantly, the market share will continue to expand, and the leading advantages of enterprises will be further enhanced.

In addition, during the reporting period, the Group completed the construction of a digital supply and sales platform, carried out centralized procurement and sales, effectively responded to the new changes in the photovoltaic industry, continued to promote the balance between production and sales, successfully established the brand of a state-owned enterprise, and promoted the steady improvement of the Group's operating efficiency. At the same time, the Group adhered to the management and sales strategy with large customers as the core, and the strategic cooperation has a strong development momentum. The signing of the strategic sales cooperation agreement has laid a solid management and sales foundation for the Group's production capacity expansion, and further consolidated the Group's top three position in the global photovoltaic glass industry.

FUTURE PROSPECTS

China's overall goal of achieving carbon peak by 2030 and carbon neutrality by 2060 is to build a clean, low-carbon, safe and efficient energy system, which brings unprecedented development opportunities for the development of the Group's photovoltaic glass industry. In the future, the Group will focus on the development of its principal business of solar photovoltaic glass, expand the production capacity of photovoltaic glass, enhance quality and efficiency, strengthen cost control and optimise product structure. The first furnace in the first phase of IRICO Shangrao ultra-thin and high-transmissivity photovoltaic glass project is expected to be put into operation in 2022. IRICO Xianyang ultra-thin and high-transmissivity photoelectric glass project is expected to be put into operation in 2022. With the continuous operation of new projects, the scale effect has gradually emerged, and the core competitiveness of the Group will be further enhanced.

FINANCIAL REVIEW

1. Overall performance

(1) Revenue and profit from principal business

During the reporting period, the Group recorded operating revenue from its principal business of RMB2,048.48 million, representing a year-on-year decrease of RMB413.31 million or 16.79%, which was mainly due to the following reasons: the revenue from the photovoltaic glass was RMB2,048.48 million, representing a year-on-year increase of RMB438.27 million; the revenue from sales of IRICO New Material and IRICO Yongneng decreased by RMB851.58 million.

The total profit was RMB185.56 million, representing a year-on-year increase of RMB14.23 million or 8.31%, which was mainly due to the quality improvement and efficiency enhancement of the Company and significant results in cost and fee reduction control for all elements achieved by the Company, especially the year-on-year decrease of RMB71.57 million or 50.76% for financial expenses, under the unfavorable situation of the significant decrease in the average selling price of photovoltaic glass for the year and the increase in the price of raw materials in 2021.

(2) Administrative expenses

During the reporting period, the Group's administrative expenses was RMB110.13 million (2020: RMB180.61 million), representing a year-on-year decrease of RMB70.48 million or 39.02%, which was mainly due to the fact that IRICO New Material, IRICO Yongneng and IRICO Green Energy were off-balance sheet and the Company strengthened its cost control.

(3) Finance costs

During the reporting period, the Group's finance costs included in profit and loss was RMB69.44 million (2020: RMB141.01 million), representing a year-on-year decrease of RMB71.57 million or 50.76%, which was mainly due to the reduction of finance costs by changing the structure of financing, controlling the scale of financing and carrying out structured deposits by the Company, among others.

(4) Selling expenses

During the reporting period, the Group's selling expenses was RMB7.14 million (2020: RMB12.45 million), representing a year-on-year decrease of RMB5.31 million or 42.65%, which was mainly due to the impact of the off-balance sheet of IRICO New Material, IRICO Yongneng and IRICO Green Energy.

(5) Research and development expenses

During the reporting period, the Group's research and development expenses was RMB54.40 million (2020: RMB66.78 million), representing a year-on-year decrease of RMB12.38 million or 18.54%, which was mainly due to the impact of the off-balance sheet of IRICO New Material, IRICO Yongneng and IRICO Green Energy.

2. Capital structure

As at 31 December 2021, the Group will continue to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure.

As at 31 December 2021, the total assets of the Group amounted to RMB5,129.13 million (31 December 2020: RMB5,288.03 million), including cash and bank balances of RMB702.10 million (31 December 2020: RMB717.91 million).

As at 31 December 2021, the total liabilities of the Group were RMB3,209.43 million (31 December 2020: RMB3,541.75 million), including bank and other borrowings of RMB1,629.41 million (31 December 2020: RMB1,318.04 million).

As at 31 December 2021, the total owners' equity of the Group was RMB1,919.70 million (31 December 2020: RMB1,746.28 million).

As at 31 December 2021, the gearing ratio of the Group was 62.57% (31 December 2020: 66.98%).

During the reporting period, the turnover days for accounts receivable of the Group was 54 days, representing a year-on-year decrease of 3 days, which was mainly due to the strengthened control of trade receivables by the Company.

During the reporting period, the inventory turnover days of the Group was 47 days, representing a year-on-year increase of 16 day, which was mainly due to the increase of price of raw materials and the effect from reserve materials in winter.

3. 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 2021, the net foreign exchange gain of the Group was RMB0.19 million (31 December 2020: net foreign exchange loss of RMB17.84 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

4. Commitments

As at 31 December 2021, the capital expenditure commitments of the Group amounted to RMB3,296.49 million (31 December 2020: RMB223.32 million).

5. Contingent liabilities

As at 31 December 2021, the Group had no material contingent liability.

6. Pledged assets

As at 31 December 2021, the bank and other borrowings of the Group amounted to approximately RMB264.60 million, which were secured by certain properties, plants, equipment, land use rights of the Group with an aggregate amount of approximately RMB879.55 million. 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 right of the Group with an aggregate amount of approximately RMB1,127.25 million.

7. Pension Scheme

The Company participated in the pension scheme established by the government, under which the annual contribution is approximately 16% of the employee's salary. Under the scheme, the pensions of current and retired employees are protected by the Human Resources and Social Security Bureau of the Company's location.

PURCHASE, REDEMPTION AND SALE OF SHARES OF THE COMPANY

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

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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the year ended 31 December 2021, the Company has complied with the principles and Code Provisions of the CG Code, except for the following deviation:

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 18 November 2021, Mr. Tong Xiaofei was elected as the chairman of the Board and appointed as the general manager of the Company. Since that date, the positions of Chairman and chief executive officer of the Company have been held by Mr. Tong Xiaofei. The Board believes that the holding of both positions of chairman and chief executive officer by the same individual can facilitate the execution of the Company's business strategies and boost effectiveness of its operation. In addition, the balanced composition of executive Directors, non-executive Directors and independent non-executive Directors on the Board and the various committees overseeing different aspects of the Company's affairs will provide sufficient supervision. Accordingly, the Board is appropriately structured with balance of power to provide sufficient safeguards to protect the interests of the Company and its shareholders. The Board will review regularly to ensure that this structure will not impair the balance of power and authority between the Board and the management of the Company.

AUDIT COMMITTEE

The Company established an audit committee under the Board (the "**Audit Committee**"). The Board adopted all contents set out in code provision D.3.3 of the CG Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to auditing, risk management and internal controls as well as financial reporting, including the audited consolidated financial statements for the year ended 31 December 2021.

MATERIAL ACQUISITION AND DISPOSAL

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

OTHER MATTERS

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

On 18 November 2021, the members of the fifth session of the Board were elected at the extraordinary general meeting of the Company. Mr. Tong Xiaofei and Mr. Jiang Lei were elected as executive Directors, among whom, Mr. Tong Xiaofei was concurrently elected as the chairman. Mr. Ni Huadong and Mr. Huang Weihong were elected as non-executive Directors; and Ms. Wu Xiaoguang, Mr. Li Yong and Ms. Hao Meiping were elected as independent non-executive Directors; the members of the fourth session of the Board, namely Mr. Si Yuncong, Mr. Fan Laiying, Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng, ceased to be Directors of the Company on the same day.

On 21 October 2021, Mr. Zhao Lefei and Ms. Zhang Li were elected as employee representative Supervisors of the fifth session of the Supervisory Committee at the meeting of employee representatives of the Company, with the same term as other Supervisors of the fifth session. On 18 November 2021, the fifth session of non-employee representative Supervisors were elected at the extraordinary general meeting of the Company. Mr. Chen Xiaoning was selected as a shareholder representative Supervisor and the chairman of the Supervisory Committee. Mr. Jiang Ahe and Mr. Huang Zhen were selected as independent Supervisors; Mr. Sun Haiying, Ms. Wu Xiaoguang and Mr. Wu Mingli resigned as supervisors of the Company on the same day.

On 28 January 2021, Mr. Tong Xiao Fei was appointed as the general manager (legal representative) of the Company for a term commencing from the date of appointment until the expiry of the fourth session of the Board, and ceased to be the executive deputy general manager of the Company (presiding over work). On 18 November 2021, Mr. Tong Xiao Fei was appointed as the general manager of the Company at the first meeting of the fifth session of the Board.

For details, please refer to the announcements of the Company dated 28 January 2021, 21 October 2021, 29 October 2021 and 18 November 2021.

2. Adjustments to previous financial statements

Reasons for adjustment	Project Name	**2019**	**2020**
		(restated)	*(restated)*
According to the principle of prudence, the credit rating of the acceptor was divided into 6 large commercial banks and 9 listed joint-stock commercial banks with higher credit rating. The bank acceptance bills accepted by banks with higher credit rating were derecognized upon endorsement or discount. The bank acceptance bills accepted by banks with general credit rating and commercial acceptance bills were continuously recognized upon endorsement or discount. The bills receivable were derecognized upon maturity.	Bills receivable	574,724,901.48	473,448,034.86
Reclassification adjustment of new energy subsidies.	Accounts receivable	5,739,019.44	9,907,590.06
We re-evaluated the presentation of receivables and contract deposits, and included the deposits in other receivables.		33,021,228.08	
The acceptor is a bank acceptance bill issued by a bank with general credit rating, which shall be presented as a note receivable.	Receivables financing	-196,591,366.80	-169,272,853.18
Reclassification adjustment of new energy subsidies.	Prepayments	-5,739,019.44	-9,907,590.06
We re-evaluated the presentation of receivables and contract deposits, and included the deposits in other receivables.	Other receivables	-33,021,228.08	
Reclassification adjustment of current accounts.		512,237.76	
In 2019, the Company lent funds to Hanzhong IRICO Jiarunze Mining Co., Ltd., an associate of the Company, for a term of four and a half years. The amount was reassessed and adjusted from other receivables to long-term receivables.		-22,421,859.36	
In 2019, the Company lent funds to Hanzhong IRICO Jiarunze Mining Co., Ltd., an associate of the Company, for a term of four and a half years. The amount was reassessed and adjusted from other receivables to long-term receivables.	Long-term receivables	22,421,859.36	
The Company holds 7.2953% equity interest in Shaanxi IRICO Electronics Glass Co., Ltd. According to the valuation report, adjustments are made according to its fair value to increase other equity instrument investments.	Other equity instrument investments	8,895,440.26	

Reasons for adjustment	Project Name	**2019**	**2020**
		(restated)	*(restated)*
The discounted bills receivable that are not derecognised are recognised as short-term borrowings.	Short-term borrowings	76,360,927.01	
After the bills were reclassified according to the rating of bills receivable, the bills were re-offset.	Bills payable	–8,127,618.54	–38,329,190.00
Reclassification adjustment of current accounts.	Other payables	512,237.76	
The non-current liabilities due within one year and long-term payables are reclassified and adjusted to reduce the amount of non-current liabilities due within one year.	Non-current liabilities due within one year	–2,635,391.17	
The corresponding notes receivable that have been endorsed but not derecognized are recognized as other current liabilities.	Other current liabilities	309,900,226.21	342,504,371.68
The reclassification adjustment of non-current liabilities due within one year and long-term payables for finance lease service fee.	Long-term payables	2,635,391.17	
The Company holds 7.2953% equity interest in Shaanxi IRICO Electronics Glass Co., Ltd., which is adjusted based on its fair value according to the valuation report.	Other comprehensive income	8,895,440.26	
The transportation fee of the Company is the contract performance cost, and the transportation fee is adjusted from “selling expenses” to “operating costs”.	Cost of sales	57,744,920.34	73,811,328.72
The transportation fee of the Company is the contract performance cost, and the transportation fee is adjusted from “selling expenses” to “operating costs”.	Selling expenses	–57,744,920.34	–73,811,328.72
The Company received insurance subsidies for the application of new materials, and the original offset of administrative expenses was adjusted to other income.	Administrative expenses		15,050,000.00
Cash received from discounting bills receivable that do not qualify for derecognition shall be recognised as a borrowing in the balance sheet. Therefore, the interest expense calculated at the effective interest rate before the maturity of the bills shall be adjusted from “investment income” to “finance costs”.	Finance costs	–33,550.00	
The Company received insurance subsidies for the application of new materials, and the original offset of administrative expenses was adjusted to other income.	Other income		15,050,000.00
Cash received from discounting bills receivable that do not qualify for derecognition shall be recognised as a borrowing in the balance sheet. Therefore, the interest expense calculated at the effective interest rate before the maturity of the bills shall be adjusted from “investment income” to “finance costs”.	Investment income	–33,550.00	

3. 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 actual net proceeds from the placing by the Company was approximately HK$1,440 million, equivalent to approximately RMB1,281.6 million. The Board resolved to change the use of the proceeds from the placing on 11 January 2021. The net proceeds 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); and (iii) approximately RMB281.6 million , after deducting relevant issuance expenses, will be used to supplement the working capital of the Company. As at 31 December 2021, 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.

For details, please refer to the announcements of the Company dated 28 August 2020 and 11 January 2021.

4. 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 (the "**Proposed A Share Offering**") 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.

On 7 April 2021, in connection with the Proposed A Share Offering, the Company has submitted the registration application for pre-listing tutoring, which has been accepted by the Shaanxi Regulatory Bureau of the China Securities Regulatory Commission.

On 6 August 2021, the Board of the Company considered and approved the resolutions regarding the Proposed A Share Offering and related authorisation matters. According to the Proposed A Share Offering plan, the Company intends to apply for an initial public offering of A Shares and listing on the ChiNext of the Shenzhen Stock Exchange to allot and issue not more than 58,780,000 A Shares with a nominal value of RMB1.00 each. On 2 November 2021, the Board and the Supervisory Committee of the Company resolved and approved the resolution on the further plan of the Proposed A Share Offering and related matters. Such resolutions are conditional upon and subject to market conditions and the approval of the Shareholders by way of special resolutions or ordinary resolutions at the extraordinary general meeting and/or the class meetings, as well as the necessary approvals or decisions from the relevant regulatory authorities.

On 29 November 2021, the Company has received the "Approval of the Public Offering of A Shares by IRICO Group New Energy Company Limited" (Guo Zi Chan Quan [2021] No. 582) issued by the State-owned Assets Supervision and Administration Commission of the State Council (the "**SASAC**"), pursuant to which the SASAC has approved in principle the overall plan of the Company for the public offering of no more than 58,780,000 A Shares and the application for the listing of A Shares.

On 15 December 2021, the relevant resolutions in relation to the consideration and approval of the plan for the Proposed A Share Offering were duly passed by the Shareholders attending the extraordinary general meeting, the H shareholders' class meeting and the domestic shareholders' class meeting, respectively.

The Company has submitted application materials including the A share prospectus to the Shenzhen Stock Exchange (the "SZSE") in relation to the proposed A share offering and received the acceptance notice issued by the SZSE in relation to the Company's application for the proposed A share offering on 28 December 2021.

For details, please refer to the announcements of the Company dated 19 October 2020, 7 April 2021, 6 August 2021, 2 November 2021, 29 November 2021, 15 December 2021 and 29 December 2021 and the circular dated 19 November 2021.

5. 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.

All conditions precedent of the proposed share consolidation and capital reduction have been fulfilled. The proposed share consolidation and capital reduction has become effective on 30 March 2021, and the dealings in the reduced H shares on the Stock Exchange has commenced on 30 March 2021 at 9:00 a.m.

For details, please refer to the announcements dated 11 November 2020, 3 December 2020, 28 December 2020 and 30 March 2021, as well as the circular dated 8 December 2020 of the Company.

PUBLICATION OF THE ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2021 annual report of the Company will be published on the Company's website at http://www.irico.com.cn and the website of the Stock Exchange in due course.

By order of the Board
IRICO Group New Energy Company Limited*
Tong Xiaofei
Chairman

Shaanxi Province, the People's Republic of China
29 March 2022

As at the date of this announcement, the Board consists of Mr. Tong Xiaofei and Mr. Jiang Lei as executive Directors, Mr. Ni Huadong and Mr. Huang Weihong as non-executive Directors, and Ms. Wu Xiaoguang, Mr. Li Yong and Ms. Hao Meiping as independent non-executive Directors.

* *For identification purpose only*