



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

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

IRICO

2022

INTERIM REPORT

* For identification purpose only

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I. RESULTS HIGHLIGHTS

1. Operation results

Unit: RMB0'000

Item	The first half of 2022	The first half of 2021
Operating revenue	109,536	117,663
Including: Principal operating revenue	107,905	116,741
Other operating revenue	1,631	921
Gross profit from main business	16,194	35,593
Total profit (loss is represented by “-”)	6,329	22,389
Net profit (net loss is represented by “-”)	6,110	21,510
Including: Net profit attributable to the shareholders of the parent company	6,110	21,510
Minority interests		
Total comprehensive income (loss is represented by “-”)	-1,460	31,238
Including: Total comprehensive income attributable to the shareholders of the parent company	-1,460	31,238
Total comprehensive income attributable to minority interests		
Basic earnings per share (RMB/share)	0.4588	1.6150
Diluted earnings per share (RMB/share)	0.4588	1.6150

2. Financial position

Unit: RMB0'000

Item	30 June 2022	31 December 2021
Total assets	587,089	512,913
Total liabilities	396,580	320,943
Owners' equity	190,509	191,970
Including: Equity attributable to the shareholders of the parent company	190,509	191,970
Minority interests		

3. Cash flow

Unit: RMB0'000

Items	The first half of 2022	The first half of 2021
Net cash flow generated from operating activities	3,456	-32,026

4. Performance indicators

Name of indicators	30 June 2022	31 December 2021
Gearing ratio	67.55%	62.57%
Current ratio	0.76	0.82

Name of indicators	The first half of 2022	The first half of 2021
Trade receivable turnover (<i>days</i>)	77	47
Inventory turnover (<i>days</i>)	45	44

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Industry Analysis

Solar photovoltaic glass

In the first half of 2022, China's photovoltaic glass industry showed an overall increase in sales volume and decrease in profit. Since the beginning of the year, driven by strong demand from overseas and domestic terminals, the operating rate of domestic modules has increased, with abundant orders for raw and auxiliary materials. In the second quarter, the pandemic control in many places has had a certain impact on the procurement and production of module manufacturers, coupled with the rise in fluctuation of silicon prices again, the manufacturers maintained a strong wait-and-see attitude on this situation, which affected the procurement volume of glass. In general, although affected by the pandemic and the price of silicon materials, the operating rate of photovoltaic modules fluctuated in the first half of the year, the trend of rebound is fairly obvious.

The photovoltaic glass industry also showed similar fluctuations in the first half of the year, however, with the introduction of a series of favorable policies for the development of photovoltaic industry issued by relevant national department in the first quarter of this year, as well as the fact that the new furnace did not reach the full production during the first quarter to the beginning of the second quarter, coupled with strong demand for module production, the supply of photovoltaic glass was tight in the short term. However, in June, with the successive discharge of newly-fired furnaces, coupled with the decrease in operating rate of module manufacturers, the price of photovoltaic glass also dropped. In general, although the ignition rate of domestic photovoltaic glass furnaces was significantly accelerated in the first half of the year, with the upgrade and iteration of product demand, ultra-thin and large-scale products will be the development trend of photovoltaic glass. At the same time, the Company will obtain greater opportunities in the centralization trend of the industry with its scale, cost control and resource endowment.

(II) Business Review

1. *Operation summary*

For the six months ended 30 June 2022 (the “**Reporting Period**”), the Group focused on its main business of solar photovoltaic glass by seizing opportunities of the rapid development of the photovoltaic industry. By expanding industrial scale, optimizing product structure, accelerating technological innovation and carrying out centralised procurement and sales, period-on-period increases were recorded in the production and sales volume of solar photovoltaic glass, partially offsetting the impact of market fluctuations, including the decrease in the prices of solar photovoltaic glass products and the increase in the costs of raw materials, such as soda ash and quartz sand. In the first half of 2022, the Group achieved an operating revenue of RMB1,095.36 million, and a total profit of RMB63.29 million.

2. ***Business Progress***

Solar photovoltaic glass

The Group actively responded to the national “Dual Carbon” strategy and continued to expand and strengthen the solar photovoltaic glass business. During the Reporting Period, Hefei and Yan’an photovoltaic glass industrial bases achieved prudent operation, and the new projects of Shangrao photovoltaic glass and Xianyang photovoltaic glass accelerated, while the scientific and technological innovation was sped up, leading to rapid period-on-period growth in the production and sales volume of new photovoltaic glass products including the thin, large-sized and doubleglazed photovoltaic glass. In addition, the Group recorded an operating revenue of RMB1,095.36 million and a total profit of RMB63.29 million during the Reporting Period through digital supply and sales platform, commencement of centralised procurement and sales and implementation of cost control.

During the Reporting Period, Phase I and Phase II production lines of Hefei photovoltaic glass base maintained stable operation, with the overall output showing a rapid growth as compared to the corresponding period of last year. During the Reporting Period, Hefei photovoltaic glass base was awarded with the title of “Specialised, Refined, Differentiated and Innovative* (專精特新)” champion enterprise of Anhui Province, and Phase III production line of Hefei photovoltaic glass was listed as “Digital Workshop for Deep Processing of Large-sized Photovoltaic Glass” in Anhui Province.

Yan'an photovoltaic glass base focused on thin, large-sized, double-glazed and BIPV (Building Integrated Photovoltaics) photovoltaic glass products with high value added. During the Reporting Period, through deepening management innovation, improving the research and development system and tightening cost control, the cumulative output increased significantly as compared to the corresponding period of last year.

Shangrao photovoltaic glass base will invest in the construction of ten ultra-thin and high-transmissivity photovoltaic glass furnaces and supporting processing production lines in three phases. During the Reporting Period, the masonry and steel structure fabrication and installation of the three kilns in the Phase I of Shangrao base have progressed efficiently, and the hearings for both Phase I and Phase II projects have been held, with all work having progressed in an orderly manner.

Xianyang photovoltaic glass base has invested in the construction of five ultra-thin and high-transmissivity photoelectric glass deep-processing production lines. At present, the first production line has achieved continuous production, and the intelligent and digital equipment of the second production line has been installed in place.

The Group seized firmly the opportunities of technological innovation and industrial integration development, continued to increase investment in independent research and development, accelerated the transformation and upgrade of production lines, and sped up the digital and intelligent construction of production bases. During the Reporting Period, an independent research and development system including large-volume

thin photovoltaic glass calendering and tempering technology and wide-scale calendering and forming technology has been formed, and the output of thin, large-sized and BIPV glass products with more profit margins has continuously increased. In addition, through the digital supply and sales platform, the Group carried out centralised procurement and sales, effectively responded to the impact of fluctuations in raw material prices, adhered to the management and sales strategy with major customers and high-quality customers as the core, and signed the large strategic sales agreement. The Group currently has a strong order book and is expanding well in the market.

The implementation of the “Dual Carbon” strategy has brought unprecedented development opportunities for the development of the photovoltaic glass industry. In the future, the Group will continue to focus on the core business of solar photovoltaic glass, adhere to the scale precedence, speed up capital operation, accelerate the production and operation of the Company’s new photovoltaic glass projects, and comprehensively enhance the core competitiveness, so as to build a first-class new energy material industry platform.

(III) Financial Review

1. Overall performance

During the Reporting Period, the Group recorded operating revenue of RMB1,095.36 million, representing a period-on-period decrease of RMB81.26 million or 6.91%; total profit of RMB63.29 million, representing a period-on-period decrease of RMB160.59 million or 71.73%.

2. Results

(1) Unaudited profit and loss

Unit: RMB0'000

Item	The first half of 2022	The first half of 2021
Operating revenue	109,536	117,663
Including: Principal operating revenue	107,905	116,741
Other operating revenue	1,631	921
Operating costs	91,900	81,366
Including: Principal operating costs	91,711	81,148
Other operating costs	188	218
Gross profit from principal business	16,194	35,593
Taxes and surcharges	1,114	1,180
Selling expenses	221	360
Administrative expenses	5,082	6,791
Research and development expenses	2,483	2,801
Finance costs	3,786	3,730
Impairment losses on assets (loss is represented by "-")	306	-347
Credit impairment losses (loss is represented by "-")	-95	-33

Item	The first half of 2022	The first half of 2021
Other income	1,034	1,900
Investment income (loss is represented by "-")	142	-434
Gains from changes in fair value (loss is represented by "-")	-1	-4
Gains from disposal of assets (loss is represented by "-")		4
Non-operating income	1	1
Non-operating expenses	9	135
Total profit (loss is represented by "-")	6,329	22,389
Income tax	219	878
Net profit (net loss is represented by "-")	6,110	21,510
Including: Net profit attributable to the shareholders of the parent company	6,110	21,510
Minority interests		

(2) *Turnover by product**Unit: RMB0'000*

Item	The first half of 2022	The first half of 2021
Operating revenue	109,536	117,663
Including: Photovoltaic glass	107,905	116,741
Others	1,631	921

3. Analysis on profit and loss(1) *Operating revenue from principal business and profit*

During the Reporting Period, the Group recorded operating revenue from its principal business of RMB1,079.05 million, representing a period-on-period decrease of RMB88.36 million or 7.57%, which was mainly due to the significant period-on-period decrease in price of photovoltaic glass.

During the Reporting Period, the Group recorded total profit of RMB63.29 million, representing a period-on-period decrease of RMB160.59 million or 71.73%, which was mainly due to the impact of factors including the decrease in the prices of solar photovoltaic glass products and the increase in the costs of raw materials such as soda ash and quartz sand.

(2) *Administrative expenses*

During the Reporting Period, the Group's administrative expenses was RMB50.82 million (the first half of 2021: RMB67.91 million), representing a period-on-period decrease of RMB17.09 million or 25.17%, which was mainly due to the period-on-period decrease of RMB15.93 million in repair costs.

(3) *Finance costs*

During the Reporting Period, the Group's finance costs included in profit and loss was RMB37.86 million (the first half of 2021: RMB37.30 million), representing a period-on-period increase of RMB0.56 million or 1.5%, which was basically the same as that of the corresponding period of last year.

(4) *Selling expenses*

During the Reporting Period, the Group's selling expenses was RMB2.21 million (the first half of 2021: RMB3.60 million), representing a period-on-period decrease of RMB1.39 million or 38.56%, which was mainly due to the decrease of RMB0.75 million in employee benefits; the decrease of RMB0.32 million in certification test fees; the decrease of RMB0.25 million in publicity expenses.

(5) *Research and development expenses*

During the Reporting Period, the Group's research and development expenses was RMB24.83 million (the first half of 2021: RMB28.01 million), representing a period-on-period decrease of RMB3.18 million or 11.35%, which was mainly due to the decrease of RMB2.63 million in the research and development expenses of Hefei Photovoltaic.

4. Capital structure

As at 30 June 2022, the Group will continue to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure.

As at 30 June 2022, the total assets of the Group amounted to RMB5,870.89 million (31 December 2021: RMB5,129.13 million), including cash and bank balances of RMB764.10 million (31 December 2021: RMB702.10 million).

As at 30 June 2022, the total liabilities of the Group were RMB3,965.80 million (31 December 2021: RMB3,209.43 million), including bank and other borrowings of RMB2,140.71 million (31 December 2021: RMB1,629.41 million).

As at 30 June 2022, the total owners' equity of the Group was RMB1,905.09 million (31 December 2021: RMB1,919.70 million).

As at 30 June 2022, the gearing ratio of the Group was 67.55% (calculation basis: total liabilities of RMB3,965.80 million/total assets of RMB5,870.89 million); as at 31 December 2021, the gearing ratio of the Group was 62.57% (calculation basis: total liabilities of RMB3,209.43 million/total assets of RMB5,129.13 million).

During the Reporting Period, the turnover days for accounts receivable of the Group was 77 days, representing a period-on-period increase of 30 days, which was mainly attributable to the period-on-period increase of RMB155.57 million in revenue in the second quarter of 2022, resulting in an increase in accounts receivable.

During the Reporting Period, the inventory turnover days of the Group was 45 days, representing a period-on-period increase of 1 day, which was basically the same as that of the previous period.

5. Cash flow

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB34.56 million (the first half of 2021: net outflow of RMB320.26 million); net cash inflow from financing activities was RMB288.64 million (the first half of 2021: RMB129.58 million); net cash outflow from investing activities was RMB273.47 million (the first half of 2021: net inflow of RMB83.53 million). The Group's capital expenditures amounted to RMB189.73 million in total (the first half of 2021: RMB35.76 million).

6. Foreign exchange risk

The Group's income and most of its expenses were denominated in Renminbi and US dollar. During the Reporting Period, the net foreign exchange gain of the Group was RMB0.28 million (the first half of 2021: net foreign exchange loss of RMB0.22 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

7. Commitments

As at 30 June 2022, the capital expenditure commitments of the Group amounted to RMB2,903.92 million (31 December 2021: RMB3,296.49 million).

8. Contingent liabilities

As of 30 June 2022, the Group had no material contingent liability.

9. Pledged assets

As at 30 June 2022, the bank and other borrowings of the Group amounted to approximately RMB50 million, which were secured by certain plants, equipment, land use rights and others of the Group with an aggregate amount of approximately RMB344.07 million. As at 31 December 2021, the bank and other borrowings of the Group amounted to approximately RMB264.60 million, which were secured by certain plants, equipment, land use rights and others of the Group with an aggregate amount of approximately RMB879.55 million.

10. Interim dividend

As there was no accumulated surplus in the first half of 2022, the Board resolved not to distribute any interim dividend for the six months ended 30 June 2022.

11. 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.

III. OTHER INFORMATION

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

As of 30 June 2022, none of the directors (the “**Directors**”), supervisors (the “**Supervisors**”) or chief executives of the Company and their respective associates held an interest and short position in shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such directors, supervisors, chief executives or senior management personnel were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register of interests kept by the Company pursuant to section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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

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

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor, chief executive or senior management member of the Company had an interest or short position in the Company's shares or underlying shares (as the case may be) as of 30 June 2022 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

China Electronics Corporation* (中國電子信息產業集團有限公司) ("**CEC**"), through IRICO Group Company Limited ("**IRICO Group**") and its subsidiary, Rui Bou Electronics (HK) Limited, had interests in 53,153,400 domestic shares (representing 66.38% of the domestic share capital of the Company) and 7,556,500 H shares of the Company; CEC, through Xianyang Zhongdian IRICO Group Holdings Ltd.* ("**Zhongdian IRICO**"), also had interests in 25,214,300 H shares of the Company; and through Zhongdian Financial Investment Holdings Co., Ltd.* (中電金投控股有限公司) ("**Zhongdian Financial Investment**"), had interests in 26,920,000 domestic shares (representing 33.62% of the domestic share capital of the Company) and 19,230,000 H shares of the Company. HKSCC Nominees Limited had interests in 96,151,150 H shares of the Company (representing 99.90% of the H share capital of the Company).

Mr. Jiang Lei acts as a Director of the Company and concurrently acts as the chief accountant of IRICO Group; Mr. Chen Xiaoning acts as a supervisor and the chairman of the supervisory committee of the Company and concurrently acts as the deputy general manager of IRICO Group.

Notes:

As of 30 June 2022, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 96,151,150 H shares, among which:

Zhongdian IRICO had beneficial interests in 25,214,300 H shares of the Company (representing approximately 26.20% of the issued H shares of the Company).

Zhongdian Financial Investment had beneficial interests in 19,230,000 H shares of the Company (representing approximately 19.98% of the issued H shares of the Company).

Yan'an Dingyuan Investment (Group) Co., Ltd.* (延安市鼎源投資(集團)有限公司) ("**Yan'an Dingyuan**"), through HuaAn Funds – Dingyuan QDII Single Asset Management Scheme, had beneficial interests in 2,001,700 H shares of the Company (representing approximately 2.08% of the issued H shares of the Company).

Hefei Xincheng State-owned Assets Management Co., Ltd.* (合肥鑫城國有資產經營有限公司) ("**Hefei Xincheng**"), through HuaAn Funds – Xincheng QDII Single Asset Management Scheme, had beneficial interests in 7,336,000 H shares of the Company (representing approximately 7.62% of the issued H shares of the Company).

HuaAn Fund Management Co., Ltd. is the asset manager of HuaAn Funds-Dingyuan QDII Single Asset Management Scheme and HuaAn Funds-Xincheng QDII Single Asset Management Scheme.

(III) **Audit Committee**

The Company established an audit committee under the Board (the “**Audit Committee**”). The Board adopted all contents set out in code provision D.3.3 of the Corporate Governance Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to auditing, risk management and internal controls as well as financial reporting, including the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2022.

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

(IV) **Independent Non-executive Directors**

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

(V) Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the 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 six months ended 30 June 2022, 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.

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

For the six months ended 30 June 2022, the Company has adopted a set of model code for securities transactions by Directors and Supervisors of the Company which is no less strict than the required standard set out in the Model Code. Having made specific enquiry in the Reporting Period, the Company has confirmed that all Directors and Supervisors have complied with the requirements set out in the Model Code.

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

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

(VIII) Employees

As of 30 June 2022, the Group had a total of 2,014 in-service employees, of whom, approximately 9.44% were management and administrative personnel, 8.44% were technical personnel, 1.59% were financial and audit personnel, 1.04% were sales and marketing personnel and 79.49% were production workers.

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

* Excluding service dispatch workers

(IX) Public Float

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

(X) Material Acquisition and Disposal

On 29 March 2022, the Company entered into the Equity Transfer Agreement with China IRICO Electronics Import & Export Co., Ltd. (“**IRICO Import & Export**”), pursuant to which the Company has agreed to dispose of and IRICO Import & Export has agreed to acquire 39% equity interest in Hanzhong IRICO Jiarunze Mining Company Limited* (漢中彩虹佳潤澤礦業有限公司) (“**Hanzhong Jiarunze**”) at the consideration of RMB9,149,205 in cash. As of 30 June 2022, the Company has transferred the above equity to IRICO Import & Export, and the Company no longer holds any equity interest in Hanzhong Jiarunze. For details, please refer to the announcement of the Company dated 29 March 2022.

During the Reporting Period, save as disclosed above, the Company had no other material acquisition or disposal of subsidiaries or associates.

(XI) Other Matters**1. *Changes in Information of Directors***

On 12 April 2022, Ms. Wu Xiaoguang resigned to serve as an independent non-executive director of the Company, the chairman of the Audit Committee and a member of the Nomination Committee of the Board due to changes in job arrangements. The resignation took effect upon the assumption of office by the independent non-executive director elected at the extraordinary general meeting of the Company held on 28 April 2022.

On 28 April 2022, Mr. Su Kun was elected as an independent non-executive director of the Company at the extraordinary general meeting of the Company. On the same day, Mr. Su Kun was appointed as the chairman of the Audit Committee and a member of the Nomination Committee of the Board.

For details, please refer to the announcements of the Company dated 12 April 2022 and 28 April 2022.

2. Proposed Initial Public Offering of A Shares

On 19 October 2020, considering the continuous prosperity in the photovoltaic industry, the Board has considered 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, the Company submitted the registration application for pre-listing tutoring in connection with the Proposed A Share Offering, which has been accepted by the Shaanxi Regulatory Bureau of the China Securities Regulatory Commission.

On 6 August 2021, the Board of 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 (the “**SZSE**”) for the allotment and issuance of not more than 58,780,000 A Shares with a par 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 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.

On 25 August 2022, the 56th review meeting of the Listing Committee for the ChiNext Market of the SZSE (the "**Listing Committee**") in 2022 was convened. According to the review results of the meeting, the application for the Proposed A Share Offering of the Company has been reviewed and approved by the Listing Committee.

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, 29 December 2021 and 25 August 2022 and the circular dated 19 November 2021.

IV. CORPORATE PROFILE

Executive Directors

Tong Xiaofei *Chairman*

Jiang Lei

Non-executive Directors

Ni Huadong

Huang Weihong

Independent Non-executive Directors

Wu Xiaoguang *Resigned on 28 April 2022*

Su Kun *Appointed on 28 April 2022*

Li Yong

Hao Meiping

Audit Committee

Wu Xiaoguang *Resigned on 28 April 2022*

Su Kun *Appointed on 28 April 2022*

Li Yong

Hao Meiping

Chief Financial Officer

Huang Weihong

Secretary to the Board

Huang Weihong

Company Secretary

Ni Huadong

Authorized Representatives

Tong Xiaofei

Ni Huadong

Huang Weihong

Legal Address in the PRC

No. 1 Caihong Road, Xianyang, Shaanxi Province,

The People's Republic of China

Postal code: 712021

Place of Business in Hong Kong

Units 1607-8, 16/F, Citicorp Centre,

18 Whitfield Road, Causeway Bay,

Hong Kong

Company Website

www.irico.com.cn

Legal Adviser

Baker & McKenzie LLP in the United States

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

Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP,

a Non-Hong Kong Accounting Firm accredited by the Stock Exchange

17-20/F, Block A, China Overseas International Center, Building No. 7, Court No. 5, An Ding Road, Chaoyang District, Beijing

Registrar of H Shares in Hong Kong

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REVIEW REPORT

Xin Kuai Shi Bao Zi [2022] No. ZG12339

TO THE SHAREHOLDERS OF IRICO GROUP NEW ENERGY COMPANY LIMITED,

We have reviewed the accompanying financial statements of IRICO Group New Energy Company Limited (“**IRICO New Energy**”), which comprise the consolidated balance sheet of the Company as at 30 June 2022, the consolidated income statement, the consolidated statement of cash flows, Consolidated Statement of Changes in Owners’ Equity, as well as the notes to the interim financial statements for the six months ended 30 June 2022. The management of the IRICO New Energy is responsible for the preparation and true and fair presentation of the interim financial statements in accordance with the Accounting Standards for Business Enterprises. Our responsibility is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with Standard on Review Engagements for CPAs of China No. 2101 – Engagements to Review Financial Statements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial statements are free from material misstatement. A review is limited largely to make enquiries of relevant personnel of IRICO New Energy and performing analytical procedures for financial data. A review is substantially less in scope than an audit conducted. We have not performed an audit and, accordingly, we do not express any audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the above-mentioned interim financial statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises, and cannot present fairly, in all material respects, the IRICO New Energy’s consolidated financial positions as at 30 June 2022, the consolidated operating performance and cash flows for the six months ended 30 June 2022.

BDO China Shu Lun Pan Certified
Public Accountants LLP

Chinese Certified Public Accountant:
Xu Peimei

Chinese Certified Public Accountant:
Gu Xin

Shanghai • China

31 August 2022

CONSOLIDATED BALANCE SHEET (UNAUDITED)*As at 30 June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Assets	<i>Note V</i>	Closing balance	Balance at the end of last year
Current Assets:			
Monetary funds	(I)	764,101,690.29	702,100,943.55
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets	(II)	275,186.50	299,398.19
Derivative financial assets			
Bills receivable	(III)	341,437,228.76	401,498,775.46
Accounts receivable	(IV)	554,387,792.67	342,362,113.37
Receivables financing	(V)	520,970,906.21	354,722,215.86
Prepayments	(VI)	51,702,092.06	68,283,370.73
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	(VII)	18,259,252.42	35,599,357.48
Financial assets acquired for resale			
Inventories	(VIII)	210,152,916.46	225,839,074.55
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	(IX)	116,016,079.58	42,164,766.78
Total current assets		<u>2,577,303,144.95</u>	<u>2,172,870,015.97</u>

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)*As at 30 June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Assets	<i>Note V</i>	Closing balance	Balance at the end of last year
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables	(X)	14,300,000.00	19,110,000.00
Long-term equity investments	(XI)		8,952,949.24
Other investments in equity instruments	(XII)	244,038,746.82	319,742,687.04
Other non-current financial assets			
Investment properties			
Fixed assets	(XIII)	1,864,734,750.31	1,872,555,469.48
Construction in progress	(XIV)	600,161,981.19	530,673,922.41
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(XV)	271,550.03	543,100.08
Intangible assets	(XVI)	174,005,167.78	176,032,947.84
Development expenditures			
Goodwill			
Long-term deferred expenses	(XVII)	4,718,709.65	4,904,582.22
Deferred tax assets	(XVIII)	21,551,893.76	23,746,284.70
Other non-current assets	(XIX)	369,803,094.68	
Total non-current assets		<u>3,293,585,894.22</u>	<u>2,956,261,943.01</u>
Total assets		<u>5,870,889,039.17</u>	<u>5,129,131,958.98</u>

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)*As at 30 June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note V</i>	Closing balance	Balance at the end of last year
Current liabilities:			
Short-term borrowings	(XX)	1,555,419,060.88	942,809,101.30
Borrowings from central bank			
Placements from banks and other financial			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	(XXI)	834,395,869.96	729,078,281.00
Accounts payables	(XXII)	530,673,692.17	530,695,955.76
Receipts in advance			
Contract liabilities	(XXIII)	7,815,055.78	3,809,488.82
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	(XXIV)	7,239,625.30	18,732,259.41
Taxes payable	(XXV)	22,677,157.81	10,717,787.46
Other payables	(XXVI)	79,553,138.70	67,381,715.92
Handling fee and commission payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	(XXVII)	75,002,202.38	203,887,815.77
Other current liabilities	(XXVIII)	266,369,644.90	153,026,117.10
Total current liabilities		<u>3,379,145,447.88</u>	<u>2,660,138,522.54</u>

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)*As at 30 June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note V</i>	Closing balance	Balance at the end of last year
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	(XXIX)	468,804,484.66	472,400,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	(XXX)		
Long-term payables	(XXXI)	50,000,000.00	13,465,592.05
Long-term employee benefits payable	(XXXII)		1,187,564.81
Estimated liabilities			
Deferred income	(XXXIII)	67,845,745.48	62,242,483.55
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<u>586,650,230.14</u>	<u>549,295,640.41</u>
Total Liabilities		<u>3,965,795,678.02</u>	<u>3,209,434,162.95</u>

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)*As at 30 June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note V</i>	Closing balance	Balance at the end of last year
Equity attributable to the owners:			
Share capital	(XXXIV)	176,322,070.00	176,322,070.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	(XXXV)	4,281,160,374.64	4,281,160,374.64
Less: Treasury shares			
Other comprehensive income	(XXXVI)	-239,338,997.31	-163,635,057.09
Special reserve			
Surplus reserve	(XXXVII)	22,477,267.06	22,477,267.06
General risk reserve			
Undistributed profit	(XXXVIII)	-2,335,527,353.24	-2,396,626,858.58
Total equity attributable to the owner's of the Company		<u>1,905,093,361.15</u>	<u>1,919,697,796.03</u>
Minority interests			
Total equity attributable to the owners		<u>1,905,093,361.15</u>	<u>1,919,697,796.03</u>
Total liabilities and equity attributable to the owners		<u>5,870,889,039.17</u>	<u>5,129,131,958.98</u>

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

Legal
representative of
the enterprise:
Tong Xiaofei

Person in charge of
accounting:
Huang Weihong

Head of accounting
department:
Luo Hongwei

CONSOLIDATED INCOME STATEMENT (UNAUDITED)*January – June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
I. Total operating revenue		1,095,363,305.78	1,176,626,646.36
Including: Operating revenue	(XXXIX)	1,095,363,305.78	1,176,626,646.36
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		1,045,856,851.68	962,282,909.38
Including: Operating costs	(XXXIX)	918,995,584.27	813,662,993.38
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	(XL)	11,135,589.66	11,796,162.20
Selling expenses	(XLI)	2,210,808.17	3,598,555.59
Administrative expenses	(XLII)	50,820,567.70	67,914,174.49
Research and development expenses	(XLIII)	24,830,523.12	28,008,435.39
Finance costs	(XLIV)	37,863,778.76	37,302,588.33
Including: Interest expense	(XLIV)	40,343,204.10	35,300,886.83
Interest income	(XLIV)	4,750,167.50	2,778,591.39

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)

January – June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the period	Amount for the previous period
Add: Other income	(XLV)	10,343,165.68	19,003,859.52
Investment income (loss is represented by “-”)	(XLVI)	1,416,975.88	-4,337,215.08
Including: Gains from investment in associates and joint ventures	(XLVI)	-629,919.54	-1,353,006.52
Income from derecognition of financial asset at the amortized cost			
Gains from foreign exchange (loss is represented by “-”)			
Gains from net exposure hedges (loss is represented by “-”)			
Gains from changes in fair value (loss is represented by “-”)	(XLVII)	-8,195.09	-35,537.34
Credit impairment losses (loss is represented by “-”)	(XLVIII)	-949,050.98	-325,160.59
Impairment losses on assets (loss is represented by “-”)	(XLIX)	3,063,068.69	-3,469,471.64
Gains from disposal of assets (loss is represented by “-”)	(L)		42,066.41
III. Operating profit (loss is represented by “-”)		63,372,418.28	225,222,278.26
Add: Non-operating income	(LI)	11,478.00	9,064.00
Less: Non-operating expenses	(LII)	90,000.00	1,345,171.37
IV. Total profit (total loss is represented by “-”)		63,293,896.28	223,886,170.89
Less: Income tax expenses	(LIII)	2,194,390.94	8,784,707.00

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)*January – June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
V. Net profit (net loss is represented by “-”)		61,099,505.34	215,101,463.89
(I) Classified by continuity of operations		61,099,505.34	215,101,463.89
1. Net profit from continuing operations (net loss is represented by “-”)		61,099,505.34	215,101,463.89
2. Net profit from discontinued operations (net loss is represented by “-”)			
(II) Classified by ownership of equity		61,099,505.34	215,101,463.89
1. Net profit attributable to the shareholders of the Company (net loss is represented by “-”)		61,099,505.34	215,101,463.89
2. Minority interests (net loss is represented by “-”)			
VI. Other comprehensive income, net of tax	(XXXVI)	-75,703,940.22	97,283,100.75
Other comprehensive income (net of tax) attributable to the owners of the Company	(XXXVI)	-75,703,940.22	97,283,100.75
(I) Other comprehensive income that cannot be reclassified to profit or loss		-75,703,940.22	97,283,100.75
1. Re-measurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments		-75,703,940.22	97,283,100.75

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)*January – June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Item	<i>Note V</i>	Amount for the period	Amount for the previous period
4. Change in fair value of enterprise's own credit risk			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investment			
3. The amount of financial assets reclassified into other comprehensive income			
4. Other debt investment credit impairment provision			
5. Cash flow hedging reserve			
6. Exchange differences from translation of foreign currency financial statements			
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)

January – June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the period	Amount for the previous period
VII. Total comprehensive income		-14,604,434.88	312,384,564.64
Total comprehensive income attributable to the owners of the parent company		-14,604,434.88	312,384,564.64
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	(LIV)	0.4588	1.6150
(II) Diluted earnings per share (RMB/share)	(LIV)	0.4588	1.6150

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

Legal
representative of
the enterprise:
Tong Xiaofei

Person in charge of
accounting:
Huang Weihong

Head of accounting
department:
Luo Hongwei

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*January – June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		900,302,396.78	583,401,201.47
Net increase in customer deposit and interbank deposit			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Cash received from original insurance contract premium			
Net cash received from reinsurance			
Net increase in policy-holder deposit and investment			
Cash received for interest, handling charges and commission			
Net increase in placements from banks and other financial institutions			
Net increase in repurchase business funds			
Net cash received from brokerage for dealing securities			
Receipts of tax refunds		27,588,128.05	
Cash received relating to other operating activities	(LVI)	178,080,981.47	104,160,094.79
Sub-total of cash inflows from operating activities		1,105,971,506.30	687,561,296.26
Cash paid for purchasing goods and receiving services		735,038,392.02	698,807,692.01

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)*January – June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
Net increase in loans and advances to customers			
Net increase in central bank deposit and interbank deposit			
Cash paid for insurance indemnities of original insurance contracts			
Net increase in placements with banks and other financial institutions			
Cash paid for interest, handling charges and commission			
Cash paid for policy bonus			
Cash paid to and for employees		82,117,597.65	80,570,868.93
Cash paid for taxes and surcharges		28,398,894.58	70,119,417.88
Cash paid relating to other operating activities	(LVI)	225,855,003.65	158,325,224.59
Sub-total of cash outflows from operating activities		1,071,409,887.90	1,007,823,203.41
Net cash flows from operating activities		34,561,618.40	-320,261,907.15
II. Cash flows from investing activities			
Cash received from disposal of investments		9,188,198.30	26,069,786.78
Cash received from returns on investments		2,062,644.59	231,428.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			1,975.00
Net cash received from disposal of subsidiaries and other business entities			90,534,168.00

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)*January – June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
Cash received from other investing activities	(LVI)	5,048,940.34	2,641,138.00
Sub-total of cash inflows from investing activities		16,299,783.23	119,478,495.88
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		189,732,121.69	35,758,010.49
Cash paid for investment		100,034,000.55	187,125.91
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		289,766,122.24	35,945,136.40
Net cash flows from investing activities		-273,466,339.01	83,533,359.48
III. Cash flows from financing activities			
Cash received from absorbing investments			
Including: Cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		1,441,217,608.77	905,496,761.81
Cash received relating to other financing activities	(LVI)	50,000,000.00	1,300,000.00
Sub-total of cash inflows from financing activities		1,491,217,608.77	906,796,761.81
Cash paid for repayment of borrowings		865,319,829.38	573,368,450.00

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)*January – June 2022**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
Cash paid for distribution of dividends and profits or for interest expenses		31,987,613.40	21,196,217.79
Including: Dividends or profits paid to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	(LVI)	305,269,179.57	182,647,340.69
Sub-total of cash outflows from financing activities		1,202,576,622.35	777,212,008.48
Net cash flows from financing activities		288,640,986.42	129,584,753.33
IV. Effect of changes in exchange rate on cash and cash equivalents		102,101.80	-19,947.67
V. Net increase in cash and cash equivalents		49,838,367.61	-107,163,742.01
Add: Cash and cash equivalents at the beginning of the period		411,742,786.14	393,496,091.98
VI. Cash and cash equivalents at the end of the period		461,581,153.75	286,332,349.97

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

Legal
representative of
the enterprise:
Tong Xiaofei

Person in charge of
accounting:
Huang Weihong

Head of accounting
department:
Luo Hongwei

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY (UNAUDITED)

January – June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Amount for the period										Total owners' equity			
	Equity attributable to the owners of the Company													
	Other equity instruments				Capital reserve	Less: Treasury share	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Undistributed profit	Sub-total	Minority interests
Share capital	Preference shares	Perpetual bonds	Others											
I. Balance at the end of last year	176,322,070.00				4,281,160,374.64		-163,635,057.09		22,477,267.06		-2,396,626,658.58	1,919,697,796.03		1,919,697,796.03
Add: Changes in accounting policies														
Correction for error in previous period														
Business combination under common control														
Others														
II. Balance at the beginning of current year	176,322,070.00				4,281,160,374.64		-163,635,057.09		22,477,267.06		-2,396,626,658.58	1,919,697,796.03		1,919,697,796.03
III. Movements in the period (decrease is represented by "-")							-75,703,940.22				61,089,506.34	-14,604,434.88		-14,604,434.88
(I) Total comprehensive income							-75,703,940.22				61,089,506.34	-14,604,434.88		-14,604,434.88
(II) Capital contribution and reduction from owners														
1. Ordinary shares contribution from owners														
2. Capital contribution from owners of other equity instruments														
3. Amount of share-based payment included in owners' equity														
4. Others														
(III) Profit distribution														
1. Appropriations of surplus reserve														
2. Appropriation of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Transfer of owners' equity														
1. Transfer to capital (or share capital) from capital reserve														
2. Transfer to capital (or share capital) from surplus reserve														
3. Surplus reserves for making up losses														
4. Changes in defined benefit plans transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserve														
1. Appropriations in the period														
2. Utilization in the period														
(VI) Others														
IV. Closing balance for the period	176,322,070.00				4,281,160,374.64		-239,338,997.31		22,477,267.06		-2,335,537,152.24	1,905,093,361.15		1,905,093,361.15

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY (UNAUDITED) (CONTINUED)

January – June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Amount for the period											Total owners' equity		
	Equity attributable to the owners of the Company													
	Share capital	Other equity instruments			Special reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Sub-total	Minority interests
Preference shares		Perpetual bonds	Others	Capital reserve										
I. Balance at the end of last year	3,526,441,400.00				931,041,044.64		-174,447,360.97		22,477,267.06		-2,559,231,002.38	1,746,291,348.35		1,746,291,348.35
Add: Changes in accounting policies														
Correction for error in previous period														
Business combination under common control														
Others														
II. Balance at the beginning of current year	3,526,441,400.00				931,041,044.64		-174,447,360.97		22,477,267.06		-2,559,231,002.38	1,746,291,348.35		1,746,291,348.35
III. Movements in the period (decrease is represented by "-")	-3,350,119,330.00				3,350,119,330.00		97,283,100.75				215,101,463.89	312,384,564.64		312,384,564.64
(I) Total comprehensive income							97,283,100.75				215,101,463.89	312,384,564.64		312,384,564.64
(II) Capital contribution and reduction from owners														
1. Ordinary shares contribution from owners														
2. Capital contribution from owners of other equity instruments														
3. Amount of share-based payment included in owners' equity														
4. Others														
(III) Profit distribution														
1. Appropriations of surplus reserve														
2. Appropriation of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Transfer of owners' equity	-3,350,119,330.00				3,350,119,330.00									
1. Transfer to capital (or share capital) from capital reserve														
2. Transfer to capital (or share capital) from surplus reserve														
3. Surplus reserves for making up losses														
4. Changes in defined benefit plans transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others	-3,350,119,330.00				3,350,119,330.00									
(V) Special reserve														
1. Appropriations in the period														
2. Utilization in the period														
(VI) Others														
IV. Closing balance for the period	176,322,070.00				4,281,160,374.64		-77,164,260.22		22,477,267.06		-2,344,129,538.49	2,058,665,912.99		2,058,665,912.99

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

Legal
representative of
the enterprise:

Tong Xiaofei

Person in charge of
accounting:

Huang Weihong

Head of accounting
department:

Luo Hongwei

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022

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

I. COMPANY PROFILE

(I) Company Profile

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***I. COMPANY PROFILE (Continued)****(I) Company Profile (Continued)**

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

On 28 August 2020, the Company issued 1,294,092,000 H shares on a non-public offering basis at an issue price of HK\$1.12 per share, raising HK\$1,449,383,040.00 (equivalent to RMB1,288,356,584.26).

On 31 December 2020, the total accumulated share capital of the Company was 3,526,441,400 shares and the registered capital was RMB3,526,441,400.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***I. COMPANY PROFILE (Continued)****(I) Company Profile (Continued)**

On 30 March 2021, in accordance with the approval obtained at the extraordinary general meeting, domestic share class meeting and the H share class meeting on 28 December 2020, the Company completed the capital reduction on the basis that 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 the registered capital of the Company was changed to RMB176,322,070 and the total number of shares was changed to 176,322,070 shares, of which, 80,073,400 shares were domestic shares, accounting for 45.41%, and 96,248,670 were foreign shares, accounting for 54.59%. On 8 November 2021, the Board was informed by China Electronics Corporation* (中國電子信息產業集團有限公司), the ultimate controlling shareholder of the Company that, IRICO Group Company Limited* (彩虹集團有限公司) (“IRICO Group”) and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) (“Zhongdian IRICO”) entered into a share transfer agreement with Zhongdian Financial Investment Holdings Co., Ltd.* (中電金投控股有限公司) (“Zhongdian Financial Investment”), respectively, pursuant to which, IRICO Group agreed to transfer 26,920,000 domestic shares of the Company it held to Zhongdian Financial Investment, representing 15.27% of the total issued shares of the Company as at the date of this announcement; and Zhongdian IRICO agreed to transfer 19,230,000 H shares of the Company it held to Zhongdian Financial Investment, representing 10.91% of the total issued shares of the Company as at the date of this announcement, each at the consideration of RMB26 per share. As of 30 June 2022, the total accumulated share capital of the Company was 176,322,070 shares and the registered capital was RMB176,322,070.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***I. COMPANY PROFILE (Continued)****(I) Company Profile (Continued)**

The unified social credit code of the Company was 916100007663066019. The place of registration was the courtyard at No. 1 Caihong Road, Qingdu District, Xianyang, Shaanxi Province; its legal representative was Tong Xiaofei; its address of headquarters was the courtyard at No. 1 Caihong Road, Qingdu District, Xianyang, Shaanxi Province.

Scope of business: manufacturing of glass; manufacturing of non-metallic mineral products; sales of non-metallic minerals and products; research and experimental development of engineering and technology; mineral washing and processing; mineral concentration; intelligent control system integration; import and export of goods; import and export agents; technology import and export (except for items subject to approvals required by the laws, business activities shall be conducted independently with the business license and in accordance with the laws). Licensed items: mining of mineral resources (non-coal mines); power generation, transmission and supply (distribution) business (for items subject to approval as required by the laws, approvals by the relevant departments should be obtained before carrying out business activities and the specific items of business shall be subject to the approval results).

The financial statements have been presented after approval by all Directors of the Company (the Board) on 31 August 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

I. COMPANY PROFILE (Continued)

(II) *Scope of the consolidated financial statements*

As at 30 June 2022, subsidiaries included in the scope of the consolidated financial statements are set out as below:

Name of subsidiaries

IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司)
 (“**Hefei Photovoltaic**”)

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

Xianyang IRICO Photovoltaic Glass Co., Ltd. (咸陽彩虹光伏玻璃有限公司) (“**Xianyang Photovoltaic**”)

Jiangxi IRICO Photovoltaic Co., Ltd. (江西彩虹光伏有限公司)
 (“**Jiangxi Photovoltaic**”)

For details of the changes in scope of consolidation for the Reporting Period, please refer to “VI. Change in Scope of Consolidation” in the notes.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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.

(II) *Going concern*

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, reflecting the Company's consolidated financial position as at 30 June 2022, and consolidated operating results and cash flows for January to June 2022 on a true and complete basis.

(II) *Accounting period*

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

(III) *Operating cycle*

The Company takes 12 months as its operating cycle.

(IV) *Functional currency*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****(V) *Accounting treatment of business combinations under common control and not under common control***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

Business combinations 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. Scope of consolidation

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

2. Consolidation procedures

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****(VI) Preparation method of consolidated financial statements (Continued)****2. Consolidation procedures (Continued)****(1) Addition of subsidiary or business**

During the Reporting Period, if there is an addition of subsidiary or business due to business combination under common control, the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

(1) Addition of subsidiary or business (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****(VI) Preparation method of consolidated financial statements (Continued)***2. Consolidation procedures (Continued)**(1) Addition of subsidiary or business (Continued)*

Where control over the investee not under common control is obtained due to reasons such as increase in investments, for the equity interest of the acquiree held before the date of purchase, the Company remeasures the equity interest at its fair value as at the date of purchase, and any difference between the fair value and its book value will be accounted for as investment gains of the period. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

(2) Disposal of subsidiary

① General treatment for disposal

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(VI) Preparation method of consolidated financial statements (Continued)****2. Consolidation procedures (Continued)****(2) Disposal of subsidiary (Continued)****② Stepwise disposal of subsidiary**

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

- I. These transactions are entered into simultaneously or after considering the effects of each other;
- II. These transactions constitute a complete commercial result as a whole;
- III. One transaction is conditional upon at least one of the other transactions;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

(2) Disposal of subsidiary (Continued)

② Stepwise disposal of subsidiary (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****(VI) Preparation method of consolidated financial statements (Continued)***2. Consolidation procedures (Continued)**(2) Disposal of subsidiary (Continued)**② Stepwise disposal of subsidiary (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

(3) Purchase of minority interests in subsidiary

For the difference between the long-term equity investment newly acquired due to the purchase of minority interests 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****(VI) Preparation method of consolidated financial statements (Continued)***2. Consolidation procedures (Continued)*

- (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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Classification of joint arrangements and accounting treatment

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

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 sales 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(IX) Foreign currency transactions and translation of financial statements denominated in foreign currency (Continued)******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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

1. Classification of financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial Instruments (Continued)****1. Classification of financial instruments (Continued)**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

1. Classification of financial instruments (Continued)

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(X) Financial Instruments (Continued)******1. Classification of financial instruments (Continued)***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

2. Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortized cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(X) Financial Instruments (Continued)***2. Recognition basis and measurement method of financial instruments (Continued)*

- (4) Financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

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

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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

4. *Derecognition of financial liabilities*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(X) *Financial Instruments (Continued)*****4. *Derecognition of financial liabilities (Continued)***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(X) Financial Instruments (Continued)****6. Test and accounting methods for impairment of financial assets**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial Instruments (Continued)

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

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

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 contract assets 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 amount equal to the lifetime expected credit loss.

For lease receivables and long-term receivables, the Company chooses to always measure the loss provisions at the amount equal to 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Impairment of Receivables

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 the lifetime expected credit losses, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

- (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 recognized and provision for individual impairment will be made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XI) Impairment of Receivables (Continued)******1. Bills receivable and accounts receivable (Continued)***

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Impairment of Receivables (Continued)

1. Bills receivable and accounts receivable (Continued)
- (2) Accounts receivable for which provision for bad debts by portfolio (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Impairment of Receivables (Continued)

1. Bills receivable and accounts receivable (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XI) Impairment of Receivables (Continued)***1. *Bills receivable and accounts receivable (Continued)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XI) Impairment of Receivables (Continued)******1. Bills receivable and accounts receivable (Continued)***

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Impairment of Receivables (Continued)

2. Receivables financing (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Impairment of Receivables (Continued)

2. Receivables financing (Continued)

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		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 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
	Account receivables	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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Impairment of Receivables (Continued)

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
	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
Other receivables		
	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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XI) Impairment of Receivables (Continued)******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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories (Continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XII) Inventories (Continued)******3. Determination basis of net realizable value of different types of inventories (Continued)***

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories (Continued)

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

After the provision for decline in value of inventories has been made, 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 for decline in value of inventories made, and such written-back amounts would be charged to the current profit or loss.

4. *Inventory system*

The Company adopts perpetual inventory system.

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

- (1) Low-value consumables are amortized using one-off write-off method;
- (2) Packaging materials are amortized using one-off write-off method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XIII) Contract assets****1. Recognition and standard of contract assets*

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is listed as 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 depending 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 Note "III. (X) 6. Test and accounting methods for impairment of financial assets".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XIV) Assets classified as held-for-sale (Continued)***

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

1. Joint control or significant influence criterion (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Long-term equity investments (Continued)******2. Determination of initial investment cost (Continued)***

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

2. Determination of initial investment cost (Continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

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

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 investment in a subsidiary is accounted for using cost method unless the investment meets 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 are recognized as the Company' share of the cash dividends or profits declared by the investee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Long-term equity investments (Continued)*****3. *Subsequent measurement and recognition of profit or loss (Continued)*****(2) Long-term equity investment accounted for by equity method (Continued)**

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

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

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

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

The unrealized profit or loss which is attributable to the Company calculated based on its attributable percentage resulting from transactions between the Company and its associates or joint venture shall be eliminated in, based on which investment income shall be recognized, other than those assets consumed or disposed of which constitute business. Any unrealized losses resulting from transactions with the investee, which are attributable to impairment of assets, shall be fully recognized.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

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

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

The Company 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 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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Long-term equity investments (Continued)******3. Subsequent measurement and recognition of profit or loss (Continued)*****(3) Disposal of long-term equity investments (Continued)**

When the Group loses the control over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest after disposal shall be accounted for under equity method in preparation of separate financial statements provided that joint control or material influence over the investee can be imposed and shall be adjusted as if such remaining equity interest had been accounted for under the equity method since being obtained. The other comprehensive income previously recognised 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. Other Changes of 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Long-term equity investments (Continued)******3. Subsequent measurement and recognition of profit or loss (Continued)*****(3) Disposal of long-term equity investments (Continued)**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVI) Investment property

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Fixed assets (Continued)

2. Methods for depreciation

Fixed assets of the Company are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. For fixed assets that have made provision for the impairment, the amount of depreciation of it is determined by carrying value after deducting the provision for the impairment based on useful life during the future period. Where different components of a fixed asset have different useful lives or generate economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(XII) Fixed assets (Continued)***2. Methods for depreciation (Continued)*

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

Category	Depreciation methods	Useful life	Residual value rate	Annual depreciation rate
		<i>(Years)</i>	<i>(%)</i>	<i>(%)</i>
Plant and buildings	Straight-line method	30	3	4.85
Machinery and equipment	Straight-line method	6-18	3	5.28-16.17
Transportation tools	Straight-line method	5	3	19.00
Office equipment and others	Straight-line method	5	3	19.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Fixed assets (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

2. Capitalisation period of borrowing costs (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XIX) Borrowing costs (Continued)******3. Suspension of capitalisation period***

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

4. Capitalisation rate and calculation of capitalization 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

4. *Capitalisation rate and calculation of capitalization amount of borrowing costs (Continued)*

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 capitalisation 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XX) Intangible assets****1. Measurement of intangible assets*

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

The costs of an externally purchased intangible asset include the purchase price, relevant tax expenses, and other expenditures directly attributable to bringing the asset ready for its intended use.

- (2) Subsequent measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(XX) Intangible assets (Continued)**

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

Items	Estimated Amortization useful lives method (Year)
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XX) Intangible assets (Continued)***

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XX) Intangible assets (Continued)*****5. *Specific conditions for capitalisation of expenditure incurred in development phase (Continued)***

- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXI) Impairment of long-term assets***

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

Goodwill formed by business merger, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are tested for impairment at least at the end of each year regardless of whether there is any sign of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXI) Impairment of long-term assets (Continued)***

When the Company performs impairment test on goodwill, the Company shall, as of the purchase day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the set of asset groups. The related asset groups or the set of asset groups refers to these ones that can benefit from the synergies of a business combination.

For the purpose of impairment test on the relevant asset groups or the set of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or set of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or set of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then, the Company will conduct impairment tests on the asset groups or set of asset groups that includes goodwill and compare its carrying value against its recoverable amount. If the recoverable amount is lower than its carrying value, the amount of impairment loss is first offset against the carrying value of the goodwill allocated to the asset groups or set of asset groups, then, based on the proportion of the carrying value of other assets in the asset groups or set of asset groups other than goodwill, offset against the carrying value of other assets proportionally.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

(XXIII) Contract liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(XXIV) Employee benefits***1. Accounting treatment methods of short-term benefits*

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

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

At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-currency welfare expenses are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Employee benefits (Continued)

2. Accounting treatment methods of post-employment benefits

(1) Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance for the staff in accordance with the relevant provisions of the local government. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profit or loss or costs of relevant assets. In addition, the Company has also participated in the enterprise annuity plan/supplementary pension fund approved by the relevant State authorities. The Company paid a certain proportion of the total wages of employees to the annuity plan/local social insurance institution, and the corresponding expenses were included in the current profit and loss or the cost of underlying assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(XXIV) Employee benefits (Continued)****2. Accounting treatment methods of post-employment benefits (Continued)****(2) Defined benefit scheme**

In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the formula determined by projected unit credit method to the service period of relevant employee, and record the obligation in profit loss for the current period or costs of related assets.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Employee benefits (Continued)

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

(2) Defined benefit scheme (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(XXIV) Employee benefits (Continued)****2. Accounting treatment methods of post-employment benefits (Continued)****(2) Defined benefit scheme (Continued)**

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

3. Accounting treatment of termination benefits

When the Company provides employees with termination benefits, the staff remuneration liabilities arising from termination benefits are recognized and recorded in current profit or loss whichever of the following is earlier: when the Company cannot unilaterally revoke such termination benefits provided due to dissolution of labour relationship plan or layoff proposal; when the Company recognizes such cost or expenses associated with the restructuring involving the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXV) Estimated liabilities

The Company shall recognize an obligation related to contingency 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXV) Estimated liabilities (Continued)***

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 of the range. In other cases, the best estimate are handled as follows:

- Where the contingency is related to individual item, the best estimate should be determined as the most likely amount.
- Where the contingency is related to a number of items, the best estimate should be calculated and determined according to the various possible results and the relevant probabilities.

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

The Company reviews the carrying amount of estimated liabilities on balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVI) Share-based payments

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

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

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the share-based payment transactions granted to employees vest immediately, the fair value of the share-based payment transactions granted is, on grant date, recognised as relevant cost or expenses with a corresponding increase in capital reserve. If the share-based payment transactions 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVI) Share-based payments (Continued)******1. Equity-settled share-based payment and equity instrument (Continued)***

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

During the vesting period, where the granted equity instrument is cancelled, the Company shall accelerate the exercise of rights thereunder, recognizing the outstanding amount for the remainder of the vesting period in profit or loss, while recognizing capital reserve. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to cancelled equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument with the same terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVI) Share-based payments (Continued)

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

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. If the share-based payment transactions 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 share-based payment transactions 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXVIII) Other financial instruments such as preferred shares and perpetual bonds***

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

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

- (1) there are contractual obligations performed by the delivery of cash or other financial assets that the Company cannot unconditionally avoid;
- (2) there are contractual obligations that include the delivery of a variable number of own equity instruments for settlement;
- (3) there are derivatives that are settled with their own equity (such as conversion rights), and the derivatives are not settled with a fixed amount of their own equity instruments for a fixed amount of cash or other financial assets for settlement;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

- (4) there are contractual clauses that indirectly form contractual obligations;
- (5) when the issuer liquidates, the perpetual bonds are in the same liquidate order as the ordinary bonds and other debts issued by the issuer.

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

(XXVIII) Revenue

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVIII) Revenue (Continued)***

- 1. Accounting policies adopted for revenue recognition and measurement (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Revenue (Continued)

1. *Accounting policies adopted for revenue recognition and measurement (Continued)*

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 a tan amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid in cash when (or as) the customer had obtained control over such goods or services. The difference between the transaction price and the amount of contract consideration is amortised using an effective interest method over the contract term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVIII) Revenue (Continued)***

1. *Accounting policies adopted for revenue recognition and measurement (Continued)*

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Revenue (Continued)

1. *Accounting policies adopted for revenue recognition and measurement (Continued)*

Where performance of a single service contract takes place over a certain period of time, revenue should be recognized as performance takes place, except where 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVIII) Revenue (Continued)******1. Accounting policies adopted for revenue recognition and measurement (Continued)***

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Revenue (Continued)

1. *Accounting policies adopted for revenue recognition and measurement (Continued)*

- the Company has transferred the main risks and rewards in the ownership of the commodity to its customers, that is, the customers have acquired the main risks and rewards in the ownership of the commodity.
- the customer has accepted the goods.

2. *Specific methods 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 ships and registers customs declaration procedures for good departure based on the Company's contracts or orders and commercial trading practices.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXIX) Contract costs***

Contract costs comprise contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract which do not fall under the scope of the standards relating to inventories, fixed assets and intangible assets are recognized as an asset as contract performance costs when the following conditions are met:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Contract costs (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXX) Government grants (Continued)****1. Types (Continued)*

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 them and when they 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) Government grants (Continued)

3. Accounting treatment (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXX) Government grants (Continued)******3. Accounting treatment (Continued)***

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

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

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

Income tax comprises current and deferred income tax. Current tax and deferred tax are recognised in current profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the temporary differences between the tax bases and the carrying amounts 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 years, 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;
- transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Deferred income tax assets and deferred income tax liabilities (Continued)***

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not be reversed 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 sufficient taxable profit will be available in the future against which the benefits of the deferred tax assets will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease***

A lease is a contract that a lessor conveys the right to use an asset to a lessee 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

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 comparison with that before concession, and it shall be undiscounted or discounted at the discount rate before concession;
- other items and conditions of the lease are determined to have no significant changes after comprehensive considerations for qualitative and quantitative factors.

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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)******1. The company as a lessee (Continued)*****(1) Right-of-use assets (Continued)**

- 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 subsequently adopting straight line method. 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 leased 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 leased asset or the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

1. The company as a lessee (Continued)

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

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in 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 payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive);
- variable lease payments that are based on an index or a rate;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)****1. The company as a lessee (Continued)**(2) Lease liabilities (Continued)*

- 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 tax expenses of lease liabilities in each period of the lease term at the fixed periodic interest rate, and include it into profit or loss in the period or cost of relevant assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

1. The company as a lessee (Continued)

(2) Lease liabilities (Continued)

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

After the commencement date of lease term, if the following circumstances occur, the Company remeasures 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 and the lease liability still needs to be further reduced, the Company accounts for the difference in the current profit or loss:

- when there are changes in assessment results of the purchase, extension or termination option or the actual exercise condition is inconsistent with the original assessment results, the Company remeasures the lease liabilities in accordance with the lease payments after changes and present value calculated based on the revised discount rate;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)***

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

(2) Lease liabilities (Continued)

- 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 present value calculated based on the lease payments after changes and the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, a revised discount rate is used.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

1. The company as a lessee (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)****1. The company as a lessee (Continued)***(4) Lease change**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

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

(4) Lease change (Continued)

If the lease change results in a narrower lease or a shorter lease term, the Company reduces the carrying amount of the right-of-use asset accordingly, and recognises the related gains or losses from partially or completely terminated leases into the current profit and loss. For other lease change that cause the lease liabilities to be remeasured, the Company adjusts the carrying amount of the right-of-use assets accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)*****1. The company as a lessee (Continued)****(5) COVID-19-related rent concessions**

For the adoption of the simplified method of rent reduction related to the COVID-19 pandemic, the Company does not assess whether there are changes in rent, continues to calculate interest expense on lease liabilities at a discount rate consistent with that before the reduction and record it in the current profit or loss, and continues to depreciate right-of-use assets at a rate consistent with that before the reduction. If there is reduction of rent, the Company treats the reduced rent as variable lease payments, and reduces the cost or expenses of the underlying assets by the amount discounted at the discount rate before the discount or reduction when the original rent payment obligation is discharged, such as when a reduction agreement is reached, and adjusts the lease liability accordingly; if the rent payment is deferred, the Company reduces the lease liability recognized in prior periods when the actual payment is made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

1. The company as a lessee (Continued)

(5) COVID-19-related rent concessions (Continued)

For short-term leases and leases of low-value assets, the Company continues to recognize the original contractual rentals as the cost or expenses of the underlying assets in a manner consistent with the method used before the abatement. When there is reduction of rent, the Company recognizes the reduced rent as variable lease payments and reduces the cost of the related assets or expenses in the period of the reduction; when rent payments are deferred, the Company recognizes the rent payable as a payable in the original payment period and reduces the payable recognized in the prior period when the actual payment is made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)****2. The company as a lessor*

At the commencement date of lease term, the Company classifies leases as financing leases and operating leases. A financing lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset, irrespective of whether the ownership of the asset is eventually transferred. An operating lease is a lease other than a financing 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 allocated and included in the current profit and 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. In case of modification of an operating lease changes, the Company shall treat it as a new lease from the effective date of modification, and the amount of the advance receipt or receivable related to the lease before the modification shall be regarded as the collection amount of the new lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

2. The company as a lessor (Continued)

(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 the unguaranteed residual value and the present value of the lease payments receivable which were not received 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 fixed periodic interest rate. The derecognition and impairment losses of financing lease receivable are accounted for in accordance with the Note “III. (X) Financial instruments”.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

2. The company as a lessor (Continued)

(2) Accounting treatment of financing leases (Continued)

When a financial lease is changed and the following conditions are simultaneously met, the Company accounts for the lease change as a separate lease:

- The change expands the scope of lease by adding the right to use one or more leased assets;
- The consideration and the separate price of the expanded scope of lease are equivalent to the amount adjusted according to the contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

2. The company as a lessor (Continued)

(2) Accounting treatment of financing leases (Continued)

Where a change in a financing 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 financing 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”.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)***

2. *The company as a lessor (Continued)*

(3) COVID-19-related rent concessions

- For operating leases that use the simplified method of rent reduction related to the COVID-19 pandemic, the Company continues to recognize the original contractual rent as lease income in the same manner as before the reduction; in the event of rent reduction, the Company regards the reduced rent as variable lease payments and reduces the lease income in the period of reduction; in the event of deferred receipt of rent, the Company recognizes the rent receivable in the original collection period and reduces the receivable recognized in the prior period when it is actually received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

2. *The company as a lessor (Continued)*

(3) COVID-19-related rent concessions (Continued)

- For finance leases that use the simplified method of rent reduction related to the COVID-19 pandemic, the Company continues to calculate interest and recognize it as lease income at a discount rate consistent with that before the reduction. In the event of rent reduction, the Company regards the reduced rent as variable lease payments and, upon the waiver of the original right to receive rent, such as the conclusion of a reduction agreement, reduces the originally recognized lease income by the amount discounted at the discount rate before the discount or reduction, with the shortfall being recorded as investment income and the finance lease receivable adjusted accordingly; in the event of deferred receipt of rent, the Company reduces the previously recognized finance lease receivable upon actual receipt.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)*****3. *After-sale and leaseback transactions***

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

(1) As a lessee

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

3. After-sale and leaseback transactions (Continued)

(2) As a lessor

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXIII) Discontinued operation***

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

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

The profits or losses from continuing operations and discontinued operations are presented in the income statement, respectively. The profits or losses from discontinued operations such as impairment losses and reversed amounts and the profits or losses of disposal shall be presented as the profits or losses from discontinued operations. For discontinued operations presented in the current period, the information originally presented as the profits or losses from continuing operations in the current financial statements shall be presented as the profits or losses from discontinued operations during comparable accounting periods again.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIV) Asset backed securities

If the Company securitizes part of the accounts receivables and sells it to a special purpose entity, which then issues securities to investors, the transfer of these financial assets meets the conditions for derecognition. For the prerequisites for derecognition of financial assets, please refer to the aforementioned financial asset transfer. During the transfer process, the Company does not retain the rights and interests of the transferred financial assets and only provides collection services in accordance with the agreement. During the securitization process, the difference between the book value of the derecognized financial assets and its consideration is recognized as a securitization gain or loss and included in the current profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXV) Segment reporting***

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXVI) Changes in significant accounting policies and accounting estimates

1. *Changes in significant accounting policies*

- (1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 15

On 30 December 2021, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 15 (Cai Kuai [2021] No. 35, hereinafter referred to as “**Interpretation No. 15**”).

- ① Accounting treatments for trial sales

Interpretation No. 15 prescribed the accounting treatments for external sales of by-products produced before the fixed assets are in their intended usable condition or during the research and development process of an enterprise and its reports. The net income arising from the relevant revenue less the relevant costs of Trial Operation Sales shall not be deducted against the costs of fixed assets or research and development expenditure. The stipulation has come into effect on 1 January 2022 and should be retrospectively adjusted for trial sales that occurred between the beginning of the earliest period presented in the financial statements and 1 January 2022. The implementation of the stipulations has not had a material impact on the Company’s financial position and operations results.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXVI) Changes in significant accounting policies and accounting estimates (Continued)******1. Changes in significant accounting policies (Continued)***

(1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 15 (Continued)

② About the determination of onerous contracts

Interpretation No. 15 clarifies that the “cost of performing the contract” considered by an enterprise in determining whether a contract constitutes a loss-making contract should include both the incremental cost of performing the contract and the apportioned amount of other costs directly related to the performance of the contract. The stipulation came into effect on 1 January 2022, and enterprises should implement the stipulations for contracts that have yet to be completed the performance of all obligations as of 1 January 2022, and the cumulative effect will be adjusted to the retained earnings and other relevant financial statement items at the beginning of the year of implementation, and the implementation of the stipulation has not had a significant impact on the Company’s financial position and operations results.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. Changes in significant accounting estimates

None.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***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
Education surcharge	Based on value-added tax paid	3, 2
Enterprise income tax	Based on taxable profits	20, 15

Companies subject to different income tax rates are disclosed as follows

Taxpayer	Income tax rate (%)
IRICO Group New Energy Company Limited. (彩虹集團新能源股份有限公司) (parent company)	15
IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹 (合肥) 光伏有限公司)	15
IRICO Yan'an New Energy Co., Ltd.* (彩虹 (延安) 新能源有限公司)	15
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

IV. TAXATION (CONTINUED)

(II) Preferential tax treatment

1. Pursuant to the “Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy” (Cai Shui [2011] No. 58) (《關於深入實施西部大開發戰略有關稅收政策問題的通知》(財稅[2011]58號)) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, from 1 January 2011 to 31 December 2020, for enterprises in encouraged industries located in the western region, corporate income tax is levied at a reduced rate of 15%, which is effective from 1 January 2011. On 23 April 2020, the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission jointly issued the Announcement on the Extension of Corporate Income Tax Policy for the Western Region Development Strategy (Announcement No. 23 of 2020 of the State Development and Reform Commission of the General Administration of Taxation of the Ministry of Finance), specifying that “from 1 January 2021 to 31 December 2030, for enterprises in encouraged industries located in the western region, corporate income tax is levied at a reduced rate of 15%. From 1 January 2021 to 31 December 2030, the enterprise income tax will be levied at a reduced rate of 15% on enterprises in the encouraged industries located in the western region. The term “encouraged industrial enterprises” as mentioned refers to enterprises whose main business is the industrial projects specified in the Catalogue of Encouraged Industries in the Western Region, and whose main business income accounts for more than 60% of the total enterprise income. According to the “Catalogue of Encouraged Industries

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***IV. TAXATION (CONTINUED)****(II) Preferential tax treatment (Continued)**

in the Western Region (2020)” (National Development and Reform Commission Order No. 40, effective from 1 March 2021), “high-end and high-quality float glass, electronic glass, automotive and photovoltaic glass production and downstream deep processing” belong to the encouraged industries in the Western Region. The Company and its subsidiaries Xianyang Photovoltaic Glass Co., Ltd. and IRICO Yan’an New Energy Co., Ltd. meet the above-mentioned conditions for enjoying the tax incentives for western development and the preferential policies related to western development, and therefore enjoy the preferential EIT rate of 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, and the Department of Finance of Anhui Province, Anhui Provincial Tax Service of the State Taxation Administration on 24 July 2018, and on 18 September 2021, Hefei Photovoltaic was once again accredited as a High and New Technology Enterprise (Certificate No. GR202134001668) as approved by the Science and Technology Department of Anhui Province, and the Department of Finance of Anhui Province, Anhui Provincial Tax Service of the State Taxation Administration, and has been entitled to a 15% preferential tax treatment for EIT, with a certificate valid for three years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

IV. TAXATION (CONTINUED)

(II) Preferential tax treatment (Continued)

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. Hefei Photovoltaic, a subsidiary of the Company, in accordance with the provisions of the Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Increasing the Percentage of Pre-tax Deduction for Research and Development Expenses (Cai Shui [2018] No. 99), the actual research and development expenses incurred by enterprises in carrying out research and development activities that do not form intangible assets included in the current profit and loss shall, on the basis of actual deduction as required, be deducted during the period from 1 January 2018 to 31 December 2020, and 75% of the actual amount incurred shall be deducted before tax; if intangible assets are formed, they shall be amortized before tax at 175% of the cost of intangible assets during the above period. According to the Ministry of Finance and the State Administration of Taxation's Announcement on Further Improving the Policy on Pre-tax Deduction of R&D Expenses (Announcement No. 13 of 2021 by the Ministry of Finance and the State Administration of Taxation),

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***IV. TAXATION (CONTINUED)****(II) Preferential tax treatment (Continued)**

the actual R&D expenses incurred by manufacturing enterprises in carrying out R&D activities, which have not formed intangible assets and are included in the current profit and loss, shall be deducted on the basis of the actual amount incurred from 1 January 2021 onwards on the basis of the actual deduction as required. In the case of intangible assets, from 1 January 2021, 200% of the cost of intangible assets will be amortized before tax.

5. According to the Announcement of the Ministry of Finance and the State Administration of Taxation No. 14 of 2022 “Announcement on Further Increasing the Strength of the Implementation of Policy of VAT Ending Withholding Tax Refund”, Yan’an New Energy, a subsidiary of the Company, expands the scope of the policy on full monthly refund of incremental retained tax credits for advanced manufacturing industries to eligible manufacturing industries and other industries, and provide a one-time refund of retained tax credits for enterprises in manufacturing industries and other industries to support the development of small and micro enterprises and manufacturing industries, boost the confidence of market players, stimulate the vitality of market players, and increase the strength of the VAT refund policy for “manufacturing” and other VAT credits at the end of the period. Eligible enterprises in manufacturing and other industries shall apply to the competent tax authorities for refunding the incremental retained tax credits starting from the tax declaration period in April 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS****(I) Monetary funds**

Item	Closing balance	Balance at the end of last year
Cash on hand		
Bank deposit	461,581,153.75	411,742,786.14
Of which: Deposits in CNAF	8,421,871.53	144,606,239.35
Other monetary funds	302,520,536.54	290,358,157.41
 Total	 764,101,690.29	 702,100,943.55
 Of which: Total deposits in overseas banks		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(I) Monetary funds (Continued)**

Restricted monetary funds are as follows:

Item	Closing balance	Balance at the end of last year
Deposits for notes and issuance of the letter of credit	192,298,314.32	180,358,157.41
Pledged certificates of deposit	110,222,222.22	110,000,000.00
Total	302,520,536.54	290,358,157.41

(II) Held-for-trading financial assets

Item	Closing balance	Balance at the end of last year
Financial assets measured at fair value through profit and loss	275,186.50	299,398.19
Including: investment in equity instruments	275,186.50	299,398.19
Total	275,186.50	299,398.19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(III) Notes receivable***1. Notes receivable by category*

Item	Closing balance	Balance at the end of last year
Bank acceptances	341,437,228.76	401,498,775.46
Total	341,437,228.76	401,498,775.46

2. Notes receivable pledged by the company at the end of the period

Item	Pledged amount
Bank acceptances	75,661,887.54
Total	75,661,887.54

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(III) Notes receivable (Continued)**

3. *Notes receivable endorsed or discounted by the company at the end of the period and not yet due on the balance sheet date*

Item	Derecognized amount	Non-derecognized amount
Bank acceptances	_____	265,775,341.22
Total	_____	265,775,341.22

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable***1. Accounts receivable shown by aging*

Aging	Closing balance	Balance at the end of last year
Within 1 year	539,648,988.52	329,089,264.04
Including: 0–6 months (inclusive)	528,409,048.97	326,346,459.06
7–12 months (inclusive)	11,239,939.55	2,742,804.98
1–2 years (inclusive)	5,274,834.46	8,453,629.51
2–3 years (inclusive)	9,264,192.20	7,078,153.00
Over 3 years	19,304,226.17	15,896,875.40
Subtotal	<u>573,492,241.35</u>	<u>360,517,921.95</u>
Less: provision for bad debts	<u>19,104,448.68</u>	<u>18,155,808.58</u>
Total	<u>554,387,792.67</u>	<u>342,362,113.37</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable***2. Accounts receivables disclosed according to the method of provision for bad debts*

Category	Book balance		Closing balance		Carrying amount	Book balance		Balance at the end of last year		Carrying amount
	Amount	Proportion (%)	Allowance for bad debts			Amount	Proportion (%)	Allowance for bad debts		
			Amount	Appropriation Proportion (%)				Amount	Appropriation Proportion (%)	
Allowance for bad debts is made on individual basis	519,032.00	0.09	519,032.00	100.00	519,032.00	0.14	519,032.00	100.00		
Allowance for bad debts is made on group basis	572,973,209.35	99.91	18,585,416.68	3.24	554,387,792.67	359,999,889.95	99.86	17,636,776.58	4.90	342,362,113.37
Including: By aging	556,863,772.08	97.10	18,585,416.68	3.34	538,278,355.40	345,979,410.68	95.97	17,636,776.58	5.10	328,342,634.10
By low credit risk portfolio	16,109,437.27	2.81			16,109,437.27	14,019,479.27	3.89			14,019,479.27
Total	573,492,241.35	100.00	19,104,448.68		554,387,792.67	360,517,921.95	100.00	18,155,808.58		342,362,113.37

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

2. *Accounts receivables disclosed according to the method of provision for bad debts (Continued)*

Allowance for bad debts made on individual basis:

Name	Book balance	Closing balance		Reasons for making allowance
		Allowance for bad debts	Appropriation Proportion (%)	
Zhejiang Yuhui Sunshine Energy Co., Ltd	519,032.00	519,032.00	100.00	Abnormal operation. Un likely to be recovered
Total	<u>519,032.00</u>	<u>519,032.00</u>	<u> </u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)***2. Accounts receivables disclosed according to the method of provision for bad debts (Continued)*

Allowance for bad debts made on group basis:

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

Name	Accounts receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
0 to 6 months (inclusive)	526,319,090.97		
7 to 12 months (inclusive)	8,937,120.43	89,371.20	1.00
1 to 2 years (inclusive)	1,280,862.86	384,258.86	30.00
2 to 3 years (inclusive)	4,429,822.42	2,214,911.22	50.00
Over 3 years	15,896,875.40	15,896,875.40	100.00
Total	556,863,772.08	18,585,416.68	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

2. *Accounts receivables disclosed according to the method of provision for bad debts (Continued)*

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

Name	Accounts receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
Low credit risk portfolio	16,109,437.27		
Total	16,109,437.27		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

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

Type	Balance at the end of last year	Changes during the period		Closing balance
		Provision	Recovered or reversed	
Provision for bad debts on individual basis	519,032.00			519,032.00
Receivables with allowances for bad debts based on credit risk characteristics	17,636,776.58	948,842.20	202.10	18,585,416.68
Including: by aging by low credit risk portfolio	17,636,776.58	948,842.20	202.10	18,585,416.68
Total	18,155,808.58	948,842.20	202.10	19,104,448.68

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Name	Accounts receivable	Closing balance	Allowance for bad debts
		Percentage of total accounts receivable (%)	
Xianyang LONGi Solar Technology Co., Ltd. (咸陽隆基樂葉光伏科技有限公司)	74,661,951.98	13.02	
Hefei GCL Integrated Light Technology Co., Ltd. (合肥協鑫集成光能科技有限公司)	66,776,345.01	11.64	
Trina Solar (Suqian) Technology Co., Ltd. (天合光能(宿遷)科技有限公司)	39,132,778.53	6.82	
Jiangsu Hongxing International Logistics Co., Ltd. (江蘇宏興國際物流有限公司)	31,374,598.20	5.47	
Jinko Solar (Yiwu) Co., Ltd. (晶科能源(義烏)有限公司)	30,935,555.68	5.40	
Total	<u>242,881,229.40</u>	<u>42.35</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**5. *Overdue accounts receivable at the end of the period*

Items	Closing balance
Accounts receivable not overdue and not impaired	523,640,999.43
Accounts receivable overdue and not impaired	14,650,282.10
Accounts receivable overdue and impaired	35,200,959.82
Total	573,492,241.35

As of 30 June 2022, information on the impairment of accounts receivable and the Company's exposure to credit risk and foreign currency risk is set out in Note 8.

As at 30 June 2022, the carrying amounts of accounts receivable approximated their fair values.

The basis of accounts receivable aging analysis is set out in Note III. (XI).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(V) Receivables financing (Continued)***3. Changes of receivables financing and its fair value for the period*

Item	Balance at the end of previous year	Additions during the period	Derecognition during the period	Other changes	Closing balance	Accumulated loss provisions recognized in other comprehensive income
Bank acceptance bills	354,722,215.86	924,350,058.36	758,101,368.01		520,970,906.21	
Total	<u>354,722,215.86</u>	<u>924,350,058.36</u>	<u>758,101,368.01</u>		<u>520,970,906.21</u>	

4. Bills receivable endorsed or discounted at the end of period which was not yet due on the balance sheet date

Item	Amount derecognized at the end of period	Amount not derecognized at the end of period
Bank acceptance bills	485,227,536.51	
Commercial acceptance bills		
Total	<u>485,227,536.51</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VI) Prepayments***1. Prepayments stated by aging*

Aging	Closing balance		Balance at the end of last year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	50,975,150.49	98.59	68,174,210.28	99.84
1 to 2 years (inclusive)	640,147.03	1.24	22,157.41	0.03
2 to 3 years (inclusive)	15,284.00	0.03	11,460.50	0.02
Over 3 years	71,510.54	0.14	75,542.54	0.11
Total	<u>51,702,092.06</u>	<u>100.00</u>	<u>68,283,370.73</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VI) Prepayments (Continued)***2. Top five prepayments according to closing balance of counterparties*

Counterparties	Counterparties	Percentage of closing balance of total prepayments (%)
Henan Jindadi Chemical Co., Ltd. (河南金大地化工有限責任公司)	33,564,000.00	64.92
BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合伙))	3,584,905.67	6.93
Guangdong Shijing New Material Co., Ltd. (廣東石井新材料有限公司)	3,343,685.80	6.47
Lianjiang Dongxing Silicone Material Co., Ltd. (廉江市東興矽質材料有限公司)	2,134,410.83	4.13
Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)	1,886,792.45	3.65
Total	44,513,794.75	86.10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(VII) Other receivables***

Item	Closing balance	Balance at the end of last year
Interest receivable		
Dividends receivable		
Other receivables	<u>18,259,252.42</u>	<u>35,599,357.48</u>
Total	<u><u>18,259,252.42</u></u>	<u><u>35,599,357.48</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables*

(1) Disclosed by aging

Aging	Closing balance	Balance at the end of last year
Within 1 year	1,382,706.94	11,014,401.12
Including: 0 to 6 months (inclusive)	1,372,067.49	892,501.12
7 to 12 months (inclusive)	10,639.45	10,121,900.00
1 to 2 years (inclusive)	10,110,762.60	11,535,917.00
2 to 3 years (inclusive)	5,239,404.40	11,250,000.00
Over 3 years	1,529,764.46	1,802,014.46
Subtotal	18,262,638.40	35,602,332.58
Less: allowances for bad debts	3,385.98	2,975.10
Total	18,259,252.42	35,599,357.48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(VII) Other receivables (Continued)**

1. Other receivables (Continued)

(2) Disclosed according to the method of provision for bad debts

Category	Closing balance					Balance at the end of last year				
	Book balance		Allowance for bad debts			Book balance		Allowance for bad debts		
	Amount	Proportion	Amount	Appropriation		Amount	Proportion	Amount	Appropriation	
				Proportion	Carrying amount				Proportion	Carrying amount
	(%)		(%)		(%)		(%)			
Allowance for bad debts is made on										
group basis	18,262,638.40	100.00	3,385.98	0.02	18,259,252.42	35,602,332.58	100.00	2,975.10	0.01	35,599,357.48
Including: By aging	135,957.14	0.74	3,385.98	2.49	132,571.16	9,917.00	0.03	2,975.10	30.00	6,941.90
By deposits, margins and reserves	18,126,681.26	99.26			18,109,871.81	35,592,415.58	99.97			35,592,415.58
Total	18,262,638.40	100.00	3,385.98		18,259,252.42	35,602,332.58	100.00	2,975.10		35,599,357.48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

- (2) Disclosed according to the method of provision for bad debts (Continued)

Allowance for bad debts made on group basis:

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

Name	Other accounts receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
0 to 6 months (inclusive)	126,040.14		
7 to 12 months (inclusive)			
1 to 2 years (inclusive)	7,862.60	2,358.78	30.00
2 to 3 years (inclusive)	2,054.40	1,027.20	50.00
Over 3 years			
Total	135,957.14	3,385.98	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

- (2) Disclosed according to the method of provision for bad debts (Continued)

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

Name	Other accounts receivable	Closing balance	
		Allowance for bad debts	Appropriation Proportion (%)
By deposits, margins and reserves	18,126,681.26	_____	_____
Total	18,126,681.26	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(3) Allowances for bad debts

	Stage I ECL for the following 12 months Lifetime ECL	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Allowances for bad debts				
Balance at the end of last year	2,975.10			2,975.10
Balance at the end of last year during the period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Made in the period	410.88			410.88
Reversed in the period				
Charged off in the period				
Written off in the period				
Other changes				
Closing balance	3,385.98			3,385.98

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

(3) Allowances for bad debts (Continued)

Change in book balance of other receivables is as follows:

Book balance	Stage I ECL for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	35,602,332.58			35,602,332.58
Balance at the end of last year during the period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Additions in the period	19,835,537.55			19,835,537.55
Derecognition in the period	37,175,231.73			37,175,231.73
Other changes				
Closing balance	18,262,638.40	_____	_____	18,262,638.40

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

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

Type	Balance at the end of last year	Changes during the period		Closing balance
		Provision	Recovered or reversed	
Allowance for bad debts is made on individual basis				
Allowance for bad debts is made on group basis	2,975.10	410.88		3,385.98
Total	2,975.10	410.88		3,385.98

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(VII) Other receivables (Continued)***1. *Other receivables (Continued)*

(5) By nature

Nature	Closing carrying balance	Carrying balance at the end of last year
Deposits, margins and reserves	18,126,681.26	35,592,415.58
Current accounts and others	<u>135,957.14</u>	<u>9,917.00</u>
Total	<u>18,262,638.40</u>	<u>35,602,332.58</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)***1. Other receivables (Continued)*

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

Name of unit	Nature of payment	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of allowance for bad debts
Xianyang City Qindu District State-owned Investment Company*	Deposits	10,000,000.00	1 to 2 years	54.76	
Yan'an Gas Co., Ltd.	Deposits	5,000,000.00	2 to 3 years	27.38	
Hefei Xincheng State-owned Assets Management Co., Ltd.*	Deposits	335,250.00	1 to 3 years	1.84	
Shaanxi Normal University	Deposits	100,000.00	Within 1 year	0.55	
Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	Deposits	15,750.00	Over 3 years	0.09	
Total		<u>15,451,000.00</u>		<u>84.62</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

1. Categories of inventories

Item	Closing balance			Balance at the end of last year		
	Book balance	Provision for impairment of inventories	Carrying Amount	Book balance	Provision for impairment of inventories	Carrying Amount
Goods in stock	89,878,071.47		89,878,071.47	136,895,722.78	15,533,911.63	121,361,811.15
Raw materials	57,131,168.67	590,645.62	56,540,523.05	46,135,391.49	518,830.50	45,616,560.99
Goods in transit	22,330,933.45	319,286.99	22,011,646.46	30,461,141.63	319,286.99	30,141,854.64
Revolving materials and others	32,240,596.82	2,358,961.28	29,881,635.54	26,466,114.28	2,332,454.22	24,133,660.06
Semi-finished goods and work-in-process	11,841,039.94		11,841,039.94	4,585,187.71		4,585,187.71
Total	213,421,810.35	3,268,893.89	210,152,916.46	244,543,557.89	18,704,483.34	225,839,074.55

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)***2. Provision for impairment of inventories and provision for impairment of contract performance cost*

Item	Balance at the end of last year	Increase in the period		Decrease in the period		Closing balance
		Provision	Others	Reversed or charged off	Others	
Goods in stock	15,533,911.63			15,533,911.63		
Raw materials	518,830.50	71,815.12				590,645.62
Goods in transit	319,286.99					319,286.99
Revolving materials and others	2,332,454.22	26,507.06				2,358,961.28
Semi-finished goods and work-in-process						
Total	18,704,483.34	98,322.18		15,533,911.63		3,268,893.89

Note: The amount of reversal of provision for impairment of inventories of goods in stock was RMB3,161,390.87 and the amount of charge-off was RMB12,372,520.76 for the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IX) Other current assets**

Item	Closing balance	Balance at the end of last year
Structured deposits	100,001,655.59	
Input VAT deductible	3,955,838.29	35,531,636.38
Prepaid enterprise income tax	6,553,838.78	6,633,130.40
Prepaid medical insurance	834,900.12	
Deferred Expenses	4,669,846.80	
Total	116,016,079.58	42,164,766.78

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(X) Long-term receivables***1. Long-term receivables*

Item	Closing balance			Balance at the end of last year			Discount rate range
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount	
Hanzhong IRICO Jiarunze Mining Co., Ltd.	14,300,000.00		14,300,000.00	19,110,000.00		19,110,000.00	
Total	14,300,000.00		14,300,000.00	19,110,000.00		19,110,000.00	

Note: The long-term receivables were fully repaid by China IRICO Electronics Import & Export Co., Ltd. on 25 July 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XI) Long-term equity investments**

Name of investees	Balance at the end of last year	Increase in investment	Decrease in investment	Increase/decrease in the period					Closing balance of impairment provision
				Investment gain or loss recognized under equity method	Adjustment to other comprehensive income	Other equity change	Distribution of cash dividend or profit	Provision for impairment	
Hanzhong IRICO Jiarunze Mining Co., Ltd.	8,952,949.24		-8,323,029.70	-629,919.54					
Sub-total	8,952,949.24		-8,323,029.70	-629,919.54					
Total	8,952,949.24		-8,323,029.70	-629,919.54					

Note: On 29 March 2022, the Company entered into the Equity Transfer Agreement with China IRICO Electronics Import & Export Co., Ltd. (“**IRICO Import & Export**”), pursuant to which the Company has agreed to dispose of and IRICO Import & Export has agreed to acquire 39% equity interest in Hanzhong Jiarunze at the consideration of RMB9,149,200 in cash.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XII) Other investment in equity instruments****1. Details of other investment in equity instruments*

Item	Closing balance	Balance at the end of last year
IRICO Display Devices Co., Ltd.*	165,558,149.64	241,262,089.86
Shaanxi Caihong Electronics Glass Co., Ltd.	78,480,597.18	78,480,597.18
Total	244,038,746.82	319,742,687.04

Note 1: The Company held 35,375,673 shares of IRICO Display Devices Co., Ltd. (the “**IRICO Display**”) at the end of the period, and the stock price was RMB4.68 per share.

Note 2: The Company held 7.2953% of Shaanxi Caihong Electronics Glass Co., Ltd. at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XII) Other investment in equity instruments (Continued)**

2. Details of investment in non-trading equity instruments

Items	Dividend income recognized in the period	Accumulated gains	Accumulated losses	Amount of transferring 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.			481,477,441.48		Non-trading equity instrument investment	
Shaanxi IRICO Electronics Glass Co., Ltd.			24,535,660.63		Non-trading equity instrument investment	

(XIII) Fixed assets

1. Fixed assets and disposal of fixed assets

Item	Closing balance	Balance at the end of last year
Fixed assets	1,861,905,456.15	1,869,726,175.32
Disposal of fixed assets	2,829,294.16	2,829,294.16
Total	<u>1,864,734,750.31</u>	<u>1,872,555,469.48</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XIII) Fixed assets (Continued)***2. Details of fixed assets*

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment and others	Total
I. Original carrying amount					
(1) Balance at the end of last year	973,378,776.97	1,787,418,270.44	11,851,530.97	5,710,516.61	2,778,359,094.99
(2) Increase in the period	36,049,908.03	21,752,736.03		829,718.80	58,632,362.86
– Purchase	382,304.99	3,324,795.41		749,797.25	4,456,897.65
– Transferred from construction in progress	35,667,603.04	18,427,940.62		79,921.55	54,175,465.21
(3) Decrease in the period					
– Disposal or retirement					
(4) Closing balance	1,009,428,685.00	1,809,171,006.47	11,851,530.97	6,540,235.41	2,836,991,457.85
2. Accumulated depreciation					
(1) Balance at the end of last year	126,500,815.40	352,415,655.43	6,584,072.86	2,303,269.02	487,803,812.71
(2) Increase in the period	16,379,473.47	49,151,176.58	401,519.37	520,912.61	66,453,082.03
– Provision	16,379,473.47	49,151,176.58	401,519.37	520,912.61	66,453,082.03
(3) Decrease in the period					
– Disposal or retirement					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XIII) Fixed assets (Continued)***2. Details of fixed assets (Continued)*

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment and others	Total
(4) Closing balance	142,880,288.87	401,566,832.01	6,985,592.23	2,824,181.63	554,256,894.74
3. Provision for impairment					
(1) Balance at the end of last year	3,126,964.80	414,301,500.62	2,741,865.55	658,775.99	420,829,106.96
(2) Increase in the period					
– Provision					
(3) Decrease in the period					
– Disposal or retirement					
(4) Closing balance	3,126,964.80	414,301,500.62	2,741,865.55	658,775.99	420,829,106.96
4. Carrying amount					
(1) Closing balance of carrying amount	863,421,431.33	993,302,673.84	2,124,073.19	3,057,277.79	1,861,905,456.15
(2) Carrying amount at the end of last year	843,750,996.77	1,020,701,114.39	2,525,592.56	2,748,471.60	1,869,726,175.32

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XIII) Fixed assets (Continued)**

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

Item	Carrying amount	Reasons for having not to obtained the title of certificates
Buildings and structures	198,279,465.73	Hefei Photovoltaic is in progress
Buildings and structures	259,740,270.07	Yan'an New Energy is in progress
Total	<u>458,019,735.80</u>	

4. *Disposal of fixed assets*

Item	Closing balance	Balance at the end of last year
Machinery and equipment	<u>2,829,294.16</u>	<u>2,829,294.16</u>
Total	<u>2,829,294.16</u>	<u>2,829,294.16</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XIII) Fixed assets (Continued)**5. *Other explanation*

The situation of term of fixed assets used in China mainland:

Period	Closing balance of carrying amount	Carrying amount at the end of last year
Medium-term (10–50 years)	1,699,394,320.40	1,675,816,016.19
Short-term (within 10 years)	162,511,135.75	193,910,159.13

(XIV) Construction in progress1. *Construction in progress and construction materials*

Item	Closing balance	Balance at the end of last year
Construction in progress	600,161,981.19	530,673,922.41
Construction materials	600,161,981.19	530,673,922.41
Total	600,161,981.19	530,673,922.41

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Item	Closing balance		Balance at the end of last year			
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Hefei photovoltaic expansion project (phase III)	356,030,727.48		356,030,727.48	306,768,892.85		306,768,892.85
Hefei photovoltaic plant and infrastructure construction project	172,948,318.01		172,948,318.01	198,972,880.51		198,972,880.51
IRICO Xianyang ultra-thin and high transmissivity photoelectric glass production line construction project	34,988,424.32		34,988,424.32	7,439,226.60		7,439,226.60
Jiangxi photovoltaic Shangrao ultra-thin high-transparency photovoltaic glass project (phase I)	35,008,852.20		35,008,852.20	5,819,629.88		5,819,629.88
Hefei photovoltaic technological reform and technological measures project (phase I)	1,185,659.18		1,185,659.18	1,844,936.38		1,844,936.38
Hefei photovoltaic technological reform and technological measures project (phase II)				9,828,356.19		9,828,356.19
Total	<u>600,161,981.19</u>		<u>600,161,981.19</u>	<u>530,673,922.41</u>		<u>530,673,922.41</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

(XIV) Construction in progress (Continued)

3. Movements of significant construction in progress for the period

Name of project	Budgeted amount	Balance at the end of last year	Increase for the period	Amount transferred to fixed Assets for the period	Other decreases for the period	Accumulated investment in project as a		Project progress	Of which: accumulated amount of interest capitalized for the period		Interest rate for the period	Source of funds
						Closing balance	percentage of total budget		interest capitalized	the period		
						(%)	(%)			(%)		
Hefei photovoltaic continued expansion project (phase III)	600,000,000.00	306,769,892.85	49,261,634.63			356,030,727.48	59.34	59.34				Self-raised funds and loans from financial institutions
Hefei photovoltaic plant and infrastructure construction project	700,000,000.00	198,972,880.51	14,752,928.66	40,777,491.16		172,948,318.01	65.61	65.61	33,217,511.86			Self-raised funds and loans from financial institutions
PIICO Xianyang ultrathin high-transparency photovoltaic glass production line construction project	197,150,000.00	7,439,226.80	27,549,197.72			34,988,424.32	17.75	17.75	265,065.80	265,065.80	4.05	Self-raised funds and loans from financial institutions
Jiangxi photovoltaic Shengrao ultra-thin high-transparency photovoltaic glass project (phase I)	2,902,890,000.00	5,619,629.88	29,189,222.32			35,008,852.20	1.21	1.21	583,553.20	583,553.20	3.7-4.25	Self-raised funds and loans from financial institutions
Total	4,400,040,000.00	5,191,000,629.84	120,753,183.33	40,777,491.16		598,976,322.01			34,066,130.86	848,619.00		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XV) Right-of-use assets**

Item	Buildings and structures	Total
1. Original carrying amount		
(1) Balance at the end of last year	1,086,200.17	1,086,200.17
(2) Increase for the period		
– Additional lease		
(3) Decrease for the period		
– Disposal		
(4) Closing balance	1,086,200.17	1,086,200.17
2. Accumulated depreciation		
(1) Balance at the end of last year	543,100.09	543,100.09
(2) Increase for the period	271,550.05	271,550.05
– Provision	271,550.05	271,550.05
(3) Decrease for the period		
– Disposal		
(4) Closing balance	814,650.14	814,650.14
3. Provision for impairment		
(1) Balance at the end of last year		
(2) Increase for the period		
– Provision		
(3) Decrease for the period		
– Disposal		
(4) Closing balance		
4. Carrying amount		
(1) Closing balance of carrying amount	271,550.03	271,550.03
(2) Carrying amount at the end of last year	543,100.08	543,100.08

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XVI) Intangible assets**

1. Details of intangible assets

Item	Land use rights	Software	Total
1. ORIGINAL CARRYING AMOUNT			
(1) Balance at the end of last year	211,228,910.28	3,772,662.41	215,001,572.69
(2) Increase for the period		138,938.06	138,938.06
– Purchase		138,938.06	138,938.06
(3) Decrease for the period			
– Disposal			
(4) Closing balance	211,228,910.28	3,911,600.47	215,140,510.75
2. ACCUMULATED AMORTISATION			
(1) Balance at the end of last year	35,231,212.39	3,737,412.46	38,968,624.85
(2) Increase for the period	2,121,167.94	45,550.18	2,166,718.12
– Provision	2,121,167.94	45,550.18	2,166,718.12
(3) Decrease for the period			
– Disposal			
(4) Closing balance	37,352,380.33	3,782,962.64	41,135,342.97
3. PROVISION FOR IMPAIRMENT			
(1) Balance at the end of last year			
(2) Increase for the period			
– Provision			
(3) Decrease for the period			
– Disposal			
(4) Closing balance			
4. CARRYING AMOUNT			
(1) Closing balance of carrying amount	173,876,529.95	128,637.83	174,005,167.78
(2) Carrying amount at the end of last year	<u>175,997,697.89</u>	<u>35,249.95</u>	<u>176,032,947.84</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

2. *The Company did not have land use rights whose title of certificates had not been obtained.*
3. *Other explanation*

All of the intangible assets of the Company were in mainland China, the useful life of which is set out bellow:

Item	Closing balance of carrying amount	Carrying amount at the end of last year
Long term (Not shorter than 50 years)	173,876,529.95	175,997,697.89
Short term (Shorter than 50 years but not shorter than 10 years)	128,637.83	35,249.95

(XVII) Long-term deferred expenses

Item	Balance at the end of last year	Increase for the period	Amortisation for the period	Other decreases	Closing balance
10 kV high-efficient backup power supply	4,024,174.53		619,103.76		3,405,070.77
Building and other renovation projects	880,407.69	549,497.15	116,265.96		1,313,638.88
Total	<u>4,904,582.22</u>	<u>549,497.15</u>	<u>735,369.72</u>		<u>4,718,709.65</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XVIII) Deferred income tax assets and deferred income tax liabilities****1. Deferred income tax assets which are not offset*

Item	Closing balance		Balance as at the end of last year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deductible losses	143,156,873.72	21,473,531.06	143,156,873.72	21,473,531.06
Provision for asset impairment	522,417.98	78,362.70	15,151,690.87	2,272,753.64
Total	<u>143,679,291.70</u>	<u>21,551,893.76</u>	<u>158,308,564.59</u>	<u>23,746,284.70</u>

2. Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Balance as at the end of last year
Deductible temporary differences	948,704,714.73	878,036,656.39
Deductible losses	<u>347,933,261.79</u>	<u>350,551,390.40</u>
Total	<u>1,296,637,976.52</u>	<u>1,228,588,046.79</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XVIII) Deferred income tax assets and deferred income tax liabilities (Continued)***

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

Year	Closing balance	Balance as at the end of last year	Notes
2022	86,977,769.52	89,595,898.13	
2023	67,033,570.68	67,033,570.68	
2024			
2025 and subsequent years	193,921,921.59	193,921,921.59	
Total	347,933,261.79	350,551,390.40	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XIX) Other non-current assets**

Item	2022.6.30			2021.12.31		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Certificate of deposit	200,055,555.56		200,055,555.56			
Prepayment for equipment	169,747,539.12		169,747,539.12			
Total	<u>369,803,094.68</u>		<u>369,803,094.68</u>			

(XX) Short-term borrowings

1. Categories of short-term borrowings

Item	Closing balance	Balance at the end of last year
Guaranteed loans	814,669,130.31	792,628,059.63
Credit loans	690,698,055.56	
Mortgage loans	50,051,875.01	150,181,041.67
Total	<u>1,555,419,060.88</u>	<u>942,809,101.30</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XX) Short-term borrowings (Continued)***2. Details on the categories of short-term borrowings:*

Guaranteed borrowings:

Lender	Closing balance	Guarantor
China Construction Bank Corporation Hefei Chengdong Sub-branch	225,792,951.39	IRICO Group New Energy Company Limited*
Industrial Bank Co., Ltd. Hefei Shouchun Road Sub-branch	150,131,250.00	IRICO Group New Energy Company Limited*
Industrial and Commercial Bank of China Co., Ltd. Hefei Fengshan Road Sub-branch	100,099,506.25	IRICO Group New Energy Company Limited*
Hefei Science and Technology Rural Commercial Bank Co., Ltd. Xinzhan Sub-branch	65,327,771.98	IRICO Group New Energy Company Limited*
China Guangfa Bank Co., Ltd. Hefei Feixi Sub-branch	50,048,125.00	IRICO Group New Energy Company Limited*
China CITIC Bank Co., Ltd. Heifei Economic Development Zone Sub- branch	47,038,162.50	IRICO Group New Energy Company Limited*
Xi'an Quijiang New District Sub-branch of Bank of Chongqing Co., Ltd.	40,045,555.56	Xianyang Zhongdian IRICO Group Holdings Ltd.*
Bank of Beijing Co., Ltd. Xi'an Dazhai Road Sub-branch	30,036,250.00	IRICO Group Corporation Limited*
China CITIC Bank Co., Ltd. Xianyang Branch	30,033,166.67	IRICO Group Corporation Limited*
Zheshang Bank Co., Ltd. Xianyang Branch	20,024,166.67	IRICO Group New Energy Company Limited*
Huishang Bank Corporation Limited* Hefei Technology Sub-branch	20,021,666.66	IRICO Group New Energy Company Limited*
China Construction Bank Corporation Yan'an Branch	20,021,388.89	IRICO Group New Energy Company Limited*
Bank of Communications Co., Ltd. Yan'an Branch	16,049,168.74	IRICO Group New Energy Company Limited*
Total	814,669,130.31	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XX) Short-term borrowings (Continued)***2. Details on the categories of short-term borrowings:
(Continued)*

Mortgage loans:

Lender	Closing Balance	Pledge
China Electronics Financial Co., Ltd.	50,051,875.01	Buildings, structures and land use rights
Total	<u>50,051,875.01</u>	

(XXI) Notes Payables

Category	Closing balance	Balance at the end of last year
Bank acceptance bills	824,395,869.96	719,078,281.00
Trade acceptance bills	<u>10,000,000.00</u>	<u>10,000,000.00</u>
Total	<u>834,395,869.96</u>	<u>729,078,281.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXII) Accounts Payable***

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

Item	Item Closing balance	Balance at the end of last year
Within 1 year (inclusive)	387,705,990.87	341,698,475.23
1 to 2 years (inclusive)	108,214,674.09	151,085,797.90
2 to 3 years (inclusive)	9,670,901.72	16,255,242.66
Over 3 years	25,082,125.49	21,656,439.97
Total	530,673,692.17	530,695,955.76

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXII) Accounts Payable (Continued)**

2. Significant accounts payable aged over 1 year

Item	Closing balance	Reasons for outstanding or carried forward
IRICO Group Corporation Limited*	68,622,312.25	Not settled
Qinhuangdao Tucheng Glass Technology Co., Ltd.	5,931,000.00	Not settled
No.9 Metallurgical Construction Co., Ltd.	3,015,923.61	Not settled
Xianyang Cailian Packaging Materials Co., Ltd.	2,685,982.30	Not settled
Bengbu Chengxin Chemical Co., Ltd	2,526,746.91	Not settled
Total	82,781,965.07	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXII) Accounts Payable (Continued)****3. Accounts payable by nature*

Item	Closing balance	Balance at the end of last year
Payables for materials	321,866,821.95	275,353,087.29
Payables for equipment	142,199,558.73	181,033,723.02
Payables for transportation	42,515,391.04	43,870,059.54
Payables for construction	13,720,700.11	16,959,566.40
Payables for services	9,995,750.46	13,111,005.78
Others	375,469.88	368,513.73
Total	<u>530,673,692.17</u>	<u>530,695,955.76</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Item	Closing balance	Balance at the end of last year
Payment for goods	<u>7,815,055.78</u>	<u>3,809,488.82</u>
Total	<u>7,815,055.78</u>	<u>3,809,488.82</u>

2. *Significant change in book value during the Reporting Period and reasons therefore*

Item	Changes	Reasons for the change
Payment for goods	4,005,566.96	There was a difference between the collection progress and the progress of revenue confirmation, resulting in a change in the balance of contract liabilities
Total	<u>4,005,566.96</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXIV) Employee benefits payable***1. *Employee benefits payable is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Short-term benefits	18,153,037.95	87,103,093.13	98,750,420.32	6,505,710.76
Post-employment benefits – defined contribution scheme		9,092,461.29	8,937,768.21	154,693.08
Termination benefits	579,221.46	126,720.00	126,720.00	579,221.46
Other welfares due within one year				
Total	18,732,259.41	96,322,274.42	107,814,908.53	7,239,625.30

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXIV) Employee benefits payable (Continued)**

2. Short-term benefits is shown as follows

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
(1) Salaries, bonuses, allowance and subsidies	11,668,813.00	70,491,518.79	80,111,368.64	2,048,963.15
(2) Staff welfare	624,953.19	3,974,074.77	4,486,453.46	112,574.50
(3) Social insurance	33,475.79	4,508,449.67	4,401,595.03	140,330.43
Including: Medical insurance	29,537.46	3,668,664.25	3,574,264.89	123,936.82
Work-related injury insurance		526,160.43	526,160.43	
Maternity insurance	3,938.33	264,333.99	251,878.71	16,393.61
Others		49,291.00	49,291.00	
(4) Housing provident fund		5,363,065.56	5,363,065.56	
(5) Labour union expenses and employee education expenses	5,825,795.97	1,622,388.75	3,244,342.04	4,203,842.68
(6) Other short-term benefits		1,143,595.59	1,143,595.59	
Total	<u>18,153,037.95</u>	<u>87,103,093.13</u>	<u>98,750,420.32</u>	<u>6,505,710.76</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXIV) Employee benefits payable (Continued)***3. *Defined contribution scheme is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance		8,765,330.33	8,617,127.77	148,202.56
Unemployment insurance		327,130.96	320,640.44	6,490.52
Annuity	_____	_____	_____	_____
Total	_____	9,092,461.29	8,937,768.21	154,693.08

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXV) Taxes payable***

Tax item	Closing balance	Balance at the end of last year
Value-added tax	15,493,804.09	4,809,598.17
Real estate tax	1,866,849.26	1,676,523.10
Urban maintenance and construction tax	1,915,006.43	1,339,694.36
Individual income tax	755,323.89	950,489.63
Land use tax	822,458.84	822,458.86
Education surcharge	676,790.55	201,700.12
Water conservancy construction funds	235,703.68	188,987.76
Stamp duty	324,844.47	133,315.90
Others	586,376.60	595,019.56
Total	22,677,157.81	10,717,787.46

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVI) Other payables***

Items	Closing balance	Balance at the end of last year
Interest payable		
Dividends payable		
Other payables	<u>79,553,138.70</u>	<u>67,381,715.92</u>
Total	<u><u>79,553,138.70</u></u>	<u><u>67,381,715.92</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

(1) Payables stated by nature

Items	Closing balance	Balance at the end of last year
Loans from non-financial institutions and interest thereon	31,092,733.24	31,092,733.24
Property lease fee	10,838,760.76	9,307,090.18
Retention money and deposits	21,526,423.99	6,874,689.52
Subsidies payable	7,525,000.00	4,725,000.00
Agency fees	817,947.61	3,757,914.19
Amounts due to related parties	1,259,314.14	3,505,814.14
Advances on behalf	2,572,952.83	3,211,997.65
Current accounts with related parties	53,868.94	10,391.64
Others	3,866,137.19	4,896,085.36
Total	79,553,138.70	67,381,715.92

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXVI) Other payables (Continued)**1. *Other payables (Continued)*

(2) Other major payables aged more than one year

Items	Closing balance	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	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

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

Item	Closing balance	Balance at the end of last year
Long-term loans due within one year	74,147,251.28	103,362,476.78
Long-term payables due within one year	577,101.38	101,273,739.51
Lease liabilities due within one year	277,849.72	555,699.48
Less: Amortised finance lease service payments due within one year		1,304,100.00
Total	75,002,202.38	203,887,815.77

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVII) Non-current liabilities due within one year (Continued)***

Explanations on long-term borrowings due within one year:

Guaranteed borrowings:

Lender	Closing balance	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)	32,960,858.14	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Everbright Bank Co., Ltd. Heifei Linquan Road Sub-branch (中國光大銀行股份有限公司合肥臨泉路支行)	23,426,325.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China CITIC Bank Co., Ltd. Heifei Economic Development Zone Sub-branch (中信銀行股份有限公司合肥經開區支行)	10,020,187.50	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Construction Bank Corporation Xianyang Branch (中國建設銀行股份有限公司咸陽分行)	3,539,382.99	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Construction Bank Corporation Shangrao Branch (中國建設銀行股份有限公司上饒市分行)	50,775.43	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	69,997,529.06	

Note: The remaining long-term loans due within one year of RMB4,149,800 are credit loans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Explanations on long-term payables due within one year:

Lender	Closing balance	Collateral/guarantor
Shangrao Binjiang Investment Co., Ltd.* (上饒市濱江投資有限公司)	532,777.77	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	44,323.61	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	577,101.38	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVIII) Other current liabilities***

Item	Closing balance	Balance at the end of last year
Bills endorsement	265,775,341.22	152,531,886.98
Pending VAT output	594,303.68	494,230.12
Total	<u>266,369,644.90</u>	<u>153,026,117.10</u>

(XXIX) Long-term borrowings

Classification of long-term borrowings:

Item	Closing balance	Balance at the end of last year
Guaranteed loans	272,804,484.66	472,400,000.00
Credit loans	196,000,000.00	_____
Total	<u>468,804,484.66</u>	<u>472,400,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Explanations on classification of long-term borrowings:

Guaranteed borrowings:

Lender	Closing balance	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)	153,271,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Construction Bank Corporation Shangrao Branch (中國建設銀行股份有限公司上饒市分行)	78,026,383.48	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Construction Bank Corporation Xianyang Branch (中國建設銀行股份有限公司咸陽分行)	31,507,101.18	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China CITIC Bank Co., Ltd. Heifei Economic Development Zone Sub-branch (中信銀行股份有限公司合肥經開區支行)	10,000,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	<u>272,804,484.66</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXX) Lease liabilities***

Item	Closing balance	Balance at the end of last year
Lease payments	291,047.58	582,095.20
Less: Unrecognized financing expenses	<u>13,197.86</u>	<u>26,395.72</u>
Reclassification to non- current liabilities due within one year	<u>277,849.72</u>	<u>555,699.48</u>
Total	<u><u>291,047.58</u></u>	<u><u>582,095.20</u></u>

(XXXI) Long-term payables

Item	Closing balance	Balance at the end of last year
Long-term payables	<u>50,000,000.00</u>	<u>13,465,592.05</u>
Total	<u><u>50,000,000.00</u></u>	<u><u>13,465,592.05</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

1. Long-term payables

Item	Closing balance	Balance at the end of last year
Borrowings	50,000,000.00	
Financing leasing expenses		13,653,568.04
Unrecognised financing expenses		-187,975.99
Total	<u>50,000,000.00</u>	<u>13,465,592.05</u>

Explanation on long-term payables:

Lender	Closing balance	Collateral/guarantor
Shangrao Binjiang Investment Co., Ltd.*(上饒市濱江投資 有限公司)	50,000,000.00	IRICO Group New Energy Company Limited (彩虹集團新能 源股份有限公司)
Total	<u>50,000,000.00</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXII) Long-term employee benefits payable****1. Breakdown of long-term employee benefits payable*

Item	Closing balance	Balance at the end of last year
Termination benefits	_____	1,187,564.81
Total	_____	1,187,564.81

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance	Source
Government grants	<u>62,242,483.55</u>	<u>7,500,000.00</u>	<u>1,896,738.07</u>	<u>67,845,745.48</u>	
Total	<u><u>62,242,483.55</u></u>	<u><u>7,500,000.00</u></u>	<u><u>1,896,738.07</u></u>	<u><u>67,845,745.48</u></u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Projects involving government grants:

Liabilities	Balance at the end of last year	New grants during the period	Amount included		Closing balance	Other changes assets/related to income
			in profit or loss during the period	Other changes		
Local incentives fund	60,916,316.88		775,348.92		60,140,967.96	Related to assets
Construction of a smart plant for solar photovoltaic glass manufacture		4,200,000.00	646,153.85		3,553,846.15	Related to assets
IRICO Shangrao project plant subsidy		2,000,000.00	333,333.34		1,666,666.66	Related to assets
Equipment upgrade project of wide high-transmissivity and ultra-thin photovoltaic glass 18X		1,300,000.00	38,235.29		1,261,764.71	Related to assets
Government subsidies for solar photovoltaic glass and coated tempered glass production line	1,240,000.00		100,000.00		1,140,000.00	Related to assets
Special incentive funds for technical transformation of small and medium-sized enterprises	86,166.67		3,666.67		82,500.00	Related to assets
Total	62,242,483.55	7,500,000.00	1,896,738.07		67,845,745.48	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXIV) Share capital***

Item	Balance at the end of last year	Issue of new shares	Increase/(decrease) (+, -) for the period			Subtotal	Closing balance
			Bonus issue	Shares transferred from reserve	Others		
Total	176,322,070.00					176,322,070.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXV) Capital reserve***

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Capital premium (Share premium)	546,968,390.11			546,968,390.11
Other capital reserve	<u>3,734,191,984.53</u>			<u>3,734,191,984.53</u>
Total	<u><u>4,281,160,374.64</u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u>4,281,160,374.64</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXXVI) Other comprehensive income**

Item	Balance at the end of last year		Amount for the period				Closing balance
	Amount before income tax for the period	Amount included in other comprehensive income	Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income	Less: Amount transferred to retained profit for the period for those previously included in other comprehensive income	Less: Income tax	Attributable to the Company after tax	
1. Other comprehensive income that will not be reclassified to profit or loss	-163,635,057.09	-75,703,940.22				-75,703,940.22	-239,338,997.31
Changes in fair value of investments in other equity instruments	-163,635,057.09	-75,703,940.22				-75,703,940.22	-239,338,997.31
Total other comprehensive income	<u>-163,635,057.09</u>	<u>-75,703,940.22</u>				<u>-75,703,940.22</u>	<u>-239,338,997.31</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXVII) Surplus reserve***

Item	Balance at the end of last year	Balance at the beginning of the year	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	<u>22,477,267.06</u>	<u>22,477,267.06</u>	_____	_____	<u>22,477,267.06</u>
Total	<u>22,477,267.06</u>	<u>22,477,267.06</u>	<u>_____</u>	<u>_____</u>	<u>22,477,267.06</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Item	Amount for the period	Amount for the previous period
Undistributed profits at end of last year before adjustment	-2,396,626,858.58	-2,559,231,002.38
Adjustment for undistributed profits at beginning of year (“+” for plus; “-” for less)		
Undistributed profits at beginning of year after adjustment	-2,396,626,858.58	-2,559,231,002.38
Add: Net profit attributable to owners of the Company during the period	61,099,505.34	215,101,463.89
Less: Withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserve		
Dividend payable on ordinary shares		
Ordinary shares dividends transferred to share capital		
Undistributed profits at end of period	-2,335,527,353.24	-2,344,129,538.49

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXIX) Operating revenue and operating costs****1. Information on operating revenue and operating costs*

Item	Amount for period		Amount for the same period of the previous period	
	Revenue	Costs	Revenue	Costs
Principal businesses	1,079,053,292.58	917,114,675.60	1,167,413,289.28	811,479,799.47
Other businesses	16,310,013.20	1,880,908.67	9,213,357.08	2,183,193.91
Total	<u>1,095,363,305.78</u>	<u>918,995,584.27</u>	<u>1,176,626,646.36</u>	<u>813,662,993.38</u>

Details of operating revenue:

Item	Amount for the period	Amount for the previous year
Revenue from principal businesses	1,079,053,292.58	1,167,413,289.28
Photovoltaic glass	1,079,053,292.58	1,167,413,289.28
Revenue from other businesses	16,310,013.20	9,213,357.08
Sales of materials	9,590,105.25	3,499,410.45
Revenue from hydropower	3,266,450.09	2,799,111.87
Housing leasing	3,453,457.86	2,631,815.89
Others		283,018.87
Total	<u>1,095,363,305.78</u>	<u>1,176,626,646.36</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***(XXXIX) Operating revenue and operating costs (Continued)***2. *Revenue from contract*

Revenue breakdown information for the period is as follows:

Revenue by segment reporting	Solar photovoltaic and module business	Others	Intersegment eliminations	Total
Principal operating revenue	1,079,053,292.58			1,079,053,292.58
Other operating revenue		16,310,013.20		16,310,013.20
Total	1,079,053,292.58	16,310,013.20		1,095,363,305.78

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXIX) Operating revenue and operating costs (Continued)****3. Revenue from geographical information*

	Amount for the period	Amount for the previous year
The PRC (excluding Hong Kong)	1,092,935,472.40	1,160,473,850.03
Other countries or regions	<u>2,427,833.38</u>	<u>16,152,796.33</u>
Total	<u><u>1,095,363,305.78</u></u>	<u><u>1,176,626,646.36</u></u>

4. Information about major customers

During January to June 2022, the Company has one customer (January to June 2021: two) which individually represented over 10% of the Group's total external sales.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXIX) Operating revenue and operating costs (Continued)*****4. Information about major customers (Continued)**

The external sales to the major customer during the year are as follows:

<u>Customer</u>	Amount for the period	Amount for the previous period
Customer A	<u>109,250,157.53</u>	<u>41,080,234.32</u>
Total	<u><u>109,250,157.53</u></u>	<u><u>41,080,234.32</u></u>

The revenues of Customer A were from the products of photovoltaic glass business.

5. Performance obligation

When the Company has implemented the performance obligation in the contract, namely, when the customer obtains the right to control relevant assets (goods or services), revenues will be recognized. Whether performance obligations satisfied over time or at a point in time is based on the terms of contracts and related law regulations. The Company satisfies a performance obligation over time, if one of the following criteria is met:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXIX) Operating revenue and operating costs (Continued)******5. Performance Obligation (Continued)***

- (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs.
- (2) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (3) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If the performance obligations satisfied over time, the Company will recognise revenue via contract performance schedule, otherwise the Company shall recognise revenue at a point in time when customer obtains control of relevant asset. Performance schedule is based on the value of the goods that have been transferred to the customer to determine the contract performance schedule.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XL) Taxes and surcharges***

Item	Amount for the period	Amount for the previous period
Real estate tax	3,693,614.65	3,112,947.55
Urban maintenance and construction tax	1,631,347.73	2,857,648.75
Land use tax	1,644,917.76	1,644,917.85
Education surcharge	1,229,401.64	2,292,063.82
Water conservancy construction funds	1,119,753.22	848,928.55
Stamp duty and others	1,816,554.66	1,039,655.68
Total	<u>11,135,589.66</u>	<u>11,796,162.20</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLI) Selling expenses***

Item	Amount for the period	Amount for the previous period
Payroll	1,118,333.40	1,870,402.47
Traveling expenses	677,932.68	625,693.95
Commission and handling fees	244,848.61	288,190.97
Entertainment expenses	150,875.28	226,735.08
Certification test fees		323,584.91
Advertising and publicity expenses		247,524.75
Others	18,818.20	16,423.46
Total	<u>2,210,808.17</u>	<u>3,598,555.59</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLII) Administrative expenses***

Item	Amount for the period	Amount for the previous period
Repair maintenance expenses	18,190,983.58	34,117,493.44
Depreciation and amortization expense	12,515,762.58	12,901,674.74
Payroll	12,599,481.97	8,794,000.53
Housing lease fees	1,920,105.04	2,057,819.86
Agency expenses	1,695,689.96	3,343,713.16
Loss on shutdown	1,623,818.52	5,652,253.07
Office expenses	631,835.73	465,602.44
Traveling expenses	416,007.27	357,386.04
Entertainment fees	196,143.63	199,813.61
Insurance	160,646.16	3,905.94
Others	870,093.26	20,511.66
Total	50,820,567.70	67,914,174.49

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLIII) Research and development expenses***

Item	Amount for the period	Amount for the previous period
Materials costs	11,441,321.86	11,096,348.67
Power expenses	6,764,531.76	7,715,731.87
Payroll	6,241,371.31	6,178,349.67
Depreciation	374,096.29	2,951,756.09
Others	9,201.90	66,249.09
Total	<u>24,830,523.12</u>	<u>28,008,435.39</u>

(XLIV) Finance costs

Item	Amount for the period	Amount for the previous period
Interest expenses	40,343,204.10	35,300,886.83
Including: Interest expenses for lease liabilities	13,197.86	199,059.94
Less: Interest income	4,750,167.50	2,778,591.39
Exchange losses or gains	-284,275.50	218,724.86
Other	2,555,017.66	4,561,568.03
Total	<u>37,863,778.76</u>	<u>37,302,588.33</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***(XLV) Other incomes***

Item	Amount for the period	Amount for the previous period
Government grants	10,330,514.90	10,534,335.60
Subsidy for production shutdown of IRICO Photovoltaic Glass Factory		8,464,167.00
Refund of income tax service fee	12,650.78	5,356.92
Total	10,343,165.68	19,003,859.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLV) Other incomes (Continued)***

Government grants included in other incomes

Item	Amount for the period	Amount for the previous period	Related to assets/Related to income
The subsidies per kWh of Hefei photovoltaic power station	2,859,754.00		Related to income
Subsidies for industrial fixed assets of Technical Improvement Projects in the category of "Post-Reward and Supplement" from the High-tech Industrial Development Zone Economic and Trade Development Bureau of Xinzhan District of Hefei in the first half of 2020	1,805,100.00		Related to income
Awards and grants for 2021 financial incremental contribution from the High-tech Industrial Development Zone Economic and Trade Development Bureau of Xinzhan District of Hefei	1,052,000.00		Related to income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLV) Other incomes (Continued)***

Government grants included in other incomes (Continued)

Item	Amount for the period	Amount for the previous period	Related to assets/Related to income
Incentives grants of manufacturing strong province, private economic policy in 2022 from the Economic and Trade Development Bureau of Xinzhan District of Hefei	1,000,000.00		Related to income
Incentives grants of Specialised, Refined, Differentiated and Innovative champion enterprise in 2022 from the Economic and Trade Development Bureau of Xinzhan District of Hefei	800,000.00		Related to income
Local incentives fund	775,348.92	775,348.92	Related to assets
Subsidy for stabilizing employment	654,685.79	104,221.23	Related to income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLV) Other incomes (Continued)***

Government grants included in other incomes (Continued)

Item	Amount for the period	Amount for the previous period	Related to assets/Related to income
Solar photovoltaic glass manufacturing intelligent factory construction project	646,153.85		Related to assets
Subsidies for Jiangxi plant Reduction of basic medical insurance premium for employees in stages of Yan'an city	333,333.34		Related to assets
Subsidies by government for the production lines of solar photovoltaic glass and coated tempered glass	218,237.04		Related to income
Rewards related to science and technology innovation supported by provincial policy in 2019	100,000.00	4,440,000.00	Related to assets
	41,000.00		Related to income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

Government grants included in other incomes (Continued)

Item	Amount for the period	Amount for the previous period	Related to assets/Related to income
Equipment upgrade project of wide high- transparency and ultra- thin photovoltaic glass 18X	38,235.29		Related to assets
Special incentive funds for technical transformation of small and medium- sized enterprises	3,666.67	19,465.45	Related to assets
Award funds for industrialization development policy project		5,195,300.00	Related to income
Other small sums	3,000.00		Related to income
Total	<u>10,330,514.90</u>	<u>10,534,335.60</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLVI) Investment gains***

Item	Amount for the period	Amount for the same period of the previous period
Long-term equity investment gains measured under equity method	-629,919.54	-1,353,006.52
Investment income from disposal of financial assets at fair value through profit and loss of the period	49,965.15	228,030.56
Bills discounted interest	-1,100,378.71	-3,212,239.12
Investment gains from disposal of long-term equity investment	873,431.16	
Structured deposit interest	1,655.59	
Time deposit interest	2,222,222.23	
	1,416,975.88	-4,337,215.08
Total	1,416,975.88	-4,337,215.08

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLVII) Gains from changes in fair value***

The source of gains from changes in fair value	Amount for the period	Amount for the same period of the previous period
Held-for-trading financial assets	-8,195.09	-35,537.34
Including: financial assets that are measured at fair value through current profit or loss	-8,195.09	-35,537.34
Total	-8,195.09	-35,537.34

(XLVIII) Credit impairment losses

Item	Amount for the period	Amount for the same period of the previous period
Losses on bad debts of accounts receivable	948,640.10	325,160.59
Losses on bad debts of other receivables	410.88	
Total	949,050.98	325,160.59

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLIX) Asset impairment losses***

Item	Amount for the period	Amount for the same period of the previous period
Losses on decline in the value of inventory	<u>-3,063,068.69</u>	<u>3,469,471.64</u>
Total	<u>-3,063,068.69</u>	<u>3,469,471.64</u>

(L) Gains from disposal of assets

Item	Amount for the period	Amount included in non-recurring profit or loss for the period
Gains from disposal of fixed assets and construction in progress	<u>42,066.41</u>	<u>42,066.41</u>
Total	<u>42,066.41</u>	<u>42,066.41</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LI) Non-operating income**

Item	Amount for the period	Amount for the same period of the previous period	Amount included in non-recurring profit or loss for the period
Gains from liquidated damages		3,000.00	
Forfeiture and penalty income		750.00	
Others	11,478.00	5,314.00	11,478.00
Total	11,478.00	9,064.00	11,478.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LII) Non-operating expenses***

Item	Amount for the period	Amount for the same period of the previous period	Amount included in non-recurring profit or loss for the period
Penalty expenses	90,000.00	1,068,660.52	90,000.00
Losses on destroy or scrap of non-current assets		264,523.08	
Others		11,987.77	
Total	90,000.00	1,345,171.37	90,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIII) Income tax expenses***1. *List of income tax expenses*

Item	Amount for the period	Amount for the same period of the previous period
Income tax expenses for the current period		8,835,370.04
Deferred income tax expenses	2,194,390.94	-50,663.04
Total	2,194,390.94	8,784,707.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIII) Income tax expenses (Continued)****2. Adjustment of accounting profit and income tax expenses*

Item	Amount for the period
Total profit	63,293,896.28
Income tax expenses calculated based on the statutory or applicable tax rate	9,493,633.23
Impact of different applicable tax rates to subsidiaries	-45,256.08
Impact of income tax for the period before adjustment	
Tax effect of non-taxable income	-1,329,377.80
Impact of cost, expenses and losses not deductible for tax	233,355.97
Impact of utilization of deductible loss of deferred income tax assets not recognized for the previous period	-3,851,840.23
Tax effect of deductible temporary differences or deductible loss of unrecognized deferred income tax assets in the current period	4,875,828.42
Others	-7,182,403.78
Income tax expenses	2,194,390.94

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIV) Earnings per share****1. Basic earnings per share*

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

Item	Amount for the period	Amount for the same period of the previous period
Consolidated net profit attributable to holders of ordinary shares of the parent company	61,099,505.34	215,101,463.89
Weighted average number of ordinary shares in issue of the Company	133,185,670.00	133,185,670.00
Basic earnings per share	0.4588	1.6150
Including: Basic earnings per share relating to continuing operations	0.4588	1.6150
Basic earnings per share relating to discontinued operations		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIV) Earnings per share (Continued)****2. Diluted earnings per share*

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

Item	Amount for the period	Amount for the same period of the previous period
Consolidated net profit attributable to holders of ordinary shares of the parent company (diluted)	61,099,505.34	215,101,463.89
Weighted average number of ordinary shares in issue of the Company (diluted)	133,185,670.00	133,185,670.00
Diluted earnings per share	0.4588	1.6150
Including: Diluted earnings per share relating to continuing operations	0.4588	1.6150
Diluted earnings per share relating to discontinued operations		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***(LV) Supplementary information of income statement-classification of expenses by nature***

Operating costs, selling expenses, administrative expenses, research and development expenses and finance costs in income statement classified by nature were set out as follows:

Item	Amount for the period	Amount for the same period of the previous period
Materials, fuel, power costs, etc.	808,426,055.06	677,152,474.34
Depreciation and amortisation	69,626,719.92	78,873,074.41
Payroll	66,022,297.46	78,794,571.51
Finance expenses	37,863,778.76	37,302,588.33
Transportation expenses	31,271,918.76	34,962,387.95
Repair maintenance expenses	18,190,983.58	34,117,493.44
Loss on shutdown	1,623,818.52	5,652,253.07
Agency expenses	1,695,689.96	3,631,904.13
Total	1,034,721,262.02	950,486,747.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVI) Statement of cash flows****1. Cash received relating to other operating activities*

Item	Amount for the period	Amount for the same period of the previous period
Recovery of accounts receivable, deposits and others	158,657,644.39	69,631,268.33
Government subsidies and income tax handling fee refunds received	15,946,427.61	31,750,235.07
Interest income received	3,476,909.47	2,778,591.39
Total	<u>178,080,981.47</u>	<u>104,160,094.79</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVI) Statement of cash flows (Continued)***2. *Cash paid relating to other operating activities*

Item	Amount for the period	Amount for the same period of the previous period
Payment of accounts payable, deposits and others	217,831,671.15	145,842,904.13
Agency expenses	2,996,368.32	9,457,281.26
Lease and property management fees	2,184,405.58	209,564.51
Traveling expenses	1,313,912.14	1,052,381.24
Commission and handling fees	1,175,721.51	1,173,107.89
Office expenses	322,751.07	309,663.92
Advertisement fees	30,000.00	277,586.64
Insurance	173.88	2,735.00
 Total	 <u>225,855,003.65</u>	 <u>158,325,224.59</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVI) Statement of cash flows (Continued)***3. *Cash received relating to other investing activities*

Item	Amount for the period	Amount for the same period of the previous period
Principal and interest repaid by associates	5,048,940.34	2,641,138.00
Total	5,048,940.34	2,641,138.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVI) Statement of cash flows (Continued)***5. *Cash paid relating to other financing activities*

Item	Amount for the period	Amount for the same period of the previous period
Pledged deposit	200,000,000.00	
Payment of principal and interest on finance leases	100,448,179.57	174,090,295.44
Payment of listing intermediary fees	4,821,000.00	3,126,064.00
Repayment of related party loans and interest		5,300,000.00
Interest of bill discount		130,981.25
Total	305,269,179.57	182,647,340.69

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVII) Supplementary information on statement of cash flows***1. *Supplementary information on statement of cash flows*

Supplementary information	Amount for the period	Amount for the same period of the previous period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	61,099,505.34	215,101,463.89
Add: Credit impairment losses	949,050.98	325,160.59
Provision for assets impairment	-3,063,068.69	3,469,471.64
Depreciation of fixed assets	66,453,082.03	72,507,989.22
Productive biological assets		
Depreciation of oil and gas assets		
Amortisation of right-of-use assets	271,550.05	1,607,032.27
Amortisation of intangible assets	2,166,718.12	2,144,667.96
Amortisation of long-term deferred expenses	735,369.72	2,613,384.96
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)		-42,066.41
Loss on retirement of fixed assets ("-" denotes gain)		264,523.08
Loss on changes in fair value ("-" denotes gain)	8,195.09	35,537.34
Finance expenses ("-" denotes gain)	40,058,928.60	35,300,886.83
Investment losses ("-" denotes gain)	-1,416,975.88	4,337,215.08
Decrease in deferred income tax assets ("-" denotes increase)	2,194,390.94	-50,663.04
Increase in deferred income tax liabilities ("-" denotes decrease)		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LVII) Supplementary information on statement of cash flows
(Continued)****1. Supplementary information on statement of cash flows
(Continued)**

Supplementary information	Amount for the period	Amount for the same period of the previous period
Decrease in inventories ("-" denotes increase)	31,121,747.54	-34,819,019.81
Decrease in operating receivables ("-" denotes increase)	-455,262,388.13	-167,430,932.67
Increase in operating payables ("-" denotes decrease)	289,245,512.69	-455,626,558.08
Others		
Net cash flows from operating activities	34,561,618.40	-320,261,907.15
2. Major investing and financing activities not involving cash settlements		
Conversion of debts to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents		
Closing balance of cash	461,581,153.75	286,332,349.97
Less: Opening balance of cash	411,742,786.14	393,496,091.98
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	49,838,367.61	-107,163,742.01

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVII) Supplementary information on statement of cash flows
(Continued)****2. Composition of cash and cash equivalents*

Item	Closing balance	Balance at the end of last year
I. Cash	461,581,153.75	411,742,786.14
Including: Cash on hand		
Bank deposits readily available for payment	461,581,153.75	411,742,786.14
Other monetary funds readily available for payment		
Deposits with the central bank available for payment		
Deposits with banks and other financial institutions		
Loans from banks and other financial institutions		
II. Cash equivalents		
Including: Bond investment due in three months		
III. Closing balance of cash and cash equivalents	461,581,153.75	411,742,786.14
Including: restricted cash and cash equivalents of the Company or subsidiaries within the Group		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVIII) Assets with restricted ownerships or right to use***

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	177,298,314.32	Security deposit for bank acceptance bills
Monetary funds	110,222,222.22	Pledged time deposit
Monetary funds	15,000,000.00	Deposit for letter of credit
Notes receivable	341,437,228.76	Pledged notes
Receivables financing	234,465,729.98	Pledged notes
Fixed assets	313,727,598.76	Mortgage loans, finance leasing
Intangible assets	30,339,797.78	Mortgage loans
Other non-current assets	200,055,555.56	Pledged time deposit
Total	1,422,546,447.38	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIX) Foreign currency items****1. Foreign currency items*

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			2,050,126.28
Including: USD	294,398.26	6.7114	1,975,824.48
HKD	86,882.37	0.8552	74,301.80

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LX) Government grants***1. Asset-related government grants*

Type	Balance	Items included in balance sheet	Amount recorded in current profit or loss or offsetting relevant costs or losses		Items recorded in current profit or loss or offsetting relevant costs or losses
			Amount for the period	Amount for the same period of the previous period	
Local government incentives	60,140,967.96	Deferred income	775,348.92	775,348.92	Other income
Solar photovoltaic glass manufacturing intelligent factory construction project	3,553,846.15	Deferred income	646,153.85		Other income
Factory subsidies for IRICO Shangrao project	1,666,666.66	Deferred income	333,333.34		Other income
Equipment upgrading project of wide high-transparency and ultra-thin photovoltaic glass 18X	1,261,764.71	Deferred income	38,235.29		Other income
Subsidies by government for the production lines of solar photovoltaic glass and coated tempered glass	1,140,000.00	Deferred income	100,000.00	4,440,000.00	Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(LX) Government grants (Continued)**1. *Asset-related government grants (Continued)*

Type	Balance	Items included in balance sheet	Amount recorded in current profit or loss or offsetting relevant costs or losses Amount for the same period of the previous period	Items recorded in current profit or loss or offsetting relevant costs or losses
Special incentive funds for technical transformation of small and medium-sized enterprises	82,500.00	Deferred income	3,666.67	19,465.45 Other income
Total	67,845,745.48		1,896,738.07	5,234,814.37

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LX) Government grants (Continued)***2. Income-related government grants*

Type	Amount	Amount recorded in current profit or loss or offsetting relevant costs		Items recorded in current profit or loss or offsetting relevant costs or losses
		Amount for the same period of the previous period	Amount for the period	
Award funds for industrialization development policy project	5,195,300.00	5,195,300.00		Other income
Subsidies for stabilizing employment	758,907.02	654,685.79	104,221.23	Other income
Subsidies per kWh of Hefei photovoltaic power station	2,859,754.00	2,859,754.00		Other income
Subsidies for industrial fixed assets of technical improvement projects in the category of "Post-Reward and Supplement" from the High-tech Industrial Development Zone Economic and Trade Development Bureau of Xinzhan District of Hefei in the first half of 2020	1,805,100.00	1,805,100.00		Other income
Awards and grants for 2021 financial incremental contribution from the High-tech Industrial Development Zone Economic and Trade Development Bureau of Xinzhan District of Hefei	1,052,000.00	1,052,000.00		Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(LX) Government grants (Continued)**

2. Income-related government grants (Continued)

Type	Amount	Amount recorded in current profit or loss or offsetting relevant costs or losses	Items recorded in current profit or loss or offsetting relevant costs or losses
		Amount for the same period of the previous period	
Incentives grants of manufacturing strong province, private economic policy in 2022 from the Economic and Trade Development Bureau of Xinzhan District of Hefei	1,000,000.00	1,000,000.00	Other income
Incentives grants of Specialised, Refined, Differentiated and Innovative champion enterprise in 2022 from the Economic and Trade Development Bureau of Xinzhan District of Hefei	800,000.00	800,000.00	Other income
Reduction of basic medical insurance premium for employees in stages of Yan'an city	218,237.04	218,237.04	Other income
Rewards related to science and technology innovation supported by provincial policy in 2019	41,000.00	41,000.00	Other income
Other aggregated sub-total	3,000.00	3,000.00	Other income
Total	143,500,674.62	8,433,776.83	5,299,521.23

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LXI) Leases***1. *As lessee*

Items	Amount for the period	Amount for the same period of the previous period
Interest expenses of lease liabilities	13,197.86	199,059.94

2. *As lessor*

(1) Operating leases

	Amount for the period	Amount for the same period of the previous year
Revenue from operating leases	3,453,457.86	2,631,815.89

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LXI) Leases (Continued)***2. *As lessor (Continued)*

(1) Operating leases (Continued)

Undiscounted leases receipts to be received after balance sheet date:

Remaining lease period	Amount for the period
Within 1 year (including 1 year)	3,780,847.50
1 to 2 years (including 2 years)	302,400.00
Total	4,083,247.50

VI. CHANGE IN SCOPE OF CONSOLIDATION

Nil.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES****(I) Interests in subsidiaries***1. Composition of enterprise group*

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		method for acquisition
				Direct	Indirect	
IRICO (Hefei) Photovoltaic Co., Ltd.*	Hefei, Anhui	Hefei, Anhui	Photovoltaic glass	100.00		Investment in establishment
IRICO Yan'an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司)	Yan'an, Shaanxi	Yan'an, Shaanxi	Photovoltaic glass	100.00		Investment in establishment
Xianyang IRICO Photovoltaic Glass Co., Ltd.	Xianyang, Shaanxi	Xianyang, Shaanxi	Photovoltaic glass	100.00		Investment in establishment
Jiangxi IRICO Photovoltaic Co., Ltd.	Shangrao, Jiangxi	Shangrao, Jiangxi	Photovoltaic glass	100.00		Investment in establishment

Notes:

- None of subsidiaries had issued any debt securities at the end of or at any time as of 30 June 2022 (2021: nil).
- The subsidiaries of the Company are all limited liability companies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(I) Interests in subsidiaries (Continued)***2. Aggregated financial information of joint ventures and associates*

	Closing balance/ Amount for the period	Balance at the end of last year/Amount for the same period last year
Associates:		
Total carrying amount of investments		10,521,158.53
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-286,686.24	-1,353,006.52
– Other comprehensive income		
– Total comprehensive income	-286,686.24	-1,353,006.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS**

The Company is confronted with various financial risks in its operation: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risk). The above financial risks and the risk management policies adopted by the Company to minimize such risks are listed as follows:

The overall objective of the Company's risk management is to develop a risk management policy that minimizes risks with undue impact on the Company's competitiveness and resilience.

(I) Credit risk

Credit risk refers to the risk that transaction counterparty fails to perform its obligations under the contract and causes financial losses to the Company.

The Company's credit risk mainly arises from monetary funds, bills receivable, accounts receivable, receivables financing, other receivables, debt investment, other debt investments, financial guarantee contracts, etc. as well as the investment in debt instruments at fair value through profit or loss and derivative financial assets that are not included in the impairment assessment scope.

The Company's monetary funds are mainly cash at bank deposited at state-owned banks and other large and medium sized listed banks with good reputation and a higher credit rating. The Company considers that there is no significant credit risk and will rarely cause significant losses due to default by the banks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

In addition, the Company develops relevant policies to limit the credit risk exposure on bills receivable, accounts receivable, receivables financing, other receivables, etc. The Company assesses the credit quality of and sets respective credit periods on its customers by considering their financial position, the availability of guarantee from third parties, their credit record and other factors such as current market conditions. The Company regularly monitors the credit record of the customers. For customers with a poor credit history, the Company will issue written demand to them, or shorten or cancel the credit periods, so as to ensure the overall credit risk of the Company is limited to a controllable extent.

(II) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department conducts centralized control over liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts for cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances. Meanwhile, it continues to monitor whether the Company is in line with the requirements of borrowing agreements, and obtain the undertakings to provide sufficient reserve funds from major financial institutions, so as to meet its short-term and long-term capital needs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(II) Liquidity risk (Continued)**

The financial liabilities of the Company are analysed by their maturity date below at their undiscounted contractual cash flows:

Items	Closing balance			Total
	Within 1 year	2-5 years	Over 5 years	
Short-term borrowings	1,555,419,060.88			1,555,419,060.88
Bills payable	834,395,869.96			834,395,869.96
Accounts payable	530,673,692.17			530,673,692.17
Other payables	79,553,138.70			79,553,138.70
Non-current liabilities due within one year	75,002,202.38			75,002,202.38
Other current liabilities	265,775,341.22			265,775,341.22
Long-term borrowings		507,848,081.11		507,848,081.11
Lease liabilities				
Long-term payables		53,705,312.50		53,705,312.50
Total	<u>3,340,819,305.31</u>	<u>561,553,393.61</u>		<u>3,902,372,698.92</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(II) Liquidity risk (Continued)**

Items	Amount at the end of last year			Total
	Within 1 year	1-5 years	Over 5 years	
Short-term borrowings	942,809,101.30			942,809,101.30
Bills payable	729,078,281.00			729,078,281.00
Accounts payable	530,695,955.76			530,695,955.76
Other payables	67,381,715.92			67,381,715.92
Non-current liabilities due within one year	203,887,815.77			203,887,815.77
Other current liabilities	152,531,886.98			152,531,886.98
Long-term borrowings		561,557,299.65		561,557,299.65
Lease liabilities				
Long-term payables		13,653,568.04		13,653,568.04
Total	<u>2,626,384,756.73</u>	<u>575,210,867.69</u>		<u>3,201,595,624.42</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(II) Liquidity risk (Continued)***(2) The repayment periods of bank borrowings and other financing are analyzed as follows:*

Items	Closing balance		Amount at the end of last year	
	Bank borrowings	Other financing	Bank borrowings	Other financing
Within 1 year	2,591,817,697.69		1,146,696,917.07	
1-2 years	54,110,980.82			
2-5 years	865,942,084.72	150,000,000.00	472,400,000.00	13,465,592.05
Over 5 years	782,500,000.00			
Total	<u>4,294,370,763.23</u>	<u>150,000,000.00</u>	<u>1,619,096,917.07</u>	<u>13,465,592.05</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes exchange rate risk, interest rate risk and other price risk.

1. Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market interest rate. The Company's interest rate risk mainly arises from short-term bank borrowings, long-term bank borrowings and long-term payable. Interest-bearing financial instruments at fixed rates and at variable rates expose the Company to fair value interest risk and cash flow interest rate risk, respectively. The Company determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate instruments. The Company will adopt interest rate swap instruments to hedge interest rate risk when necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(III) Market risk (Continued)***1. Interest rate risk (Continued)*

As at 30 June 2022, if other variables remain constant and the borrowing rate calculated at floating interest rates increases or decreases by 100 basis points, the Company's net profit will decrease or increase by RMB16,103,000. The management believes that 100 basis points reasonably reflect the reasonable range of possible changes in interest rates in the next year.

2. Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company tries to match the revenue and cost in foreign currencies in order to reduce the exchange rate risk. In addition, the Company may consider entering into forward exchange contract or currency swap contract to mitigate the exchange rate risk. During the period and the previous period, the Company has not entered into any forward exchange contract or currency swap contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)**(III) Market risk (Continued)**

2. Exchange rate risk (Continued)

The exchange rate risk faced by the Company mainly arises from financial assets and financial liabilities denominated in US dollars and Euro. The amount of the financial assets and financial liabilities in foreign currencies converted into RMB is as follows:

	Closing balance			Balance at the end of the previous year		
	US dollars	Other foreign currency	Total	US dollars	Other foreign currency	Total
Monetary funds	1,975,824.48	74,301.80	2,050,126.28	1,877,917.55	71,031.47	1,948,949.02
Accounts receivable	<u> </u>	<u> </u>	<u> </u>	<u>4,159,122.86</u>	<u> </u>	<u>4,159,122.86</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(III) Market risk (Continued)***2. Exchange rate risk (Continued)*

As at 30 June 2022, a 5% increase or decrease in RMB against USD, with all other variables held constant, would have increased or decreased the profit before tax of the Company by RMB76,879.74 (31 December 2021: RMB305,403.59). The management considers that the 5% reasonably reflected the reasonable range of the possible change in Renminbi against USD for the next year.

3. Other price risk

The Company holds equity investment in other listed companies, and the management believes that the market price risks faced by these investment activities are acceptable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

IX. DISCLOSURE OF FAIR VALUE

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the relevant assets or liabilities other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

Levels of the results of fair value measurement are decided by the lowest level of great significance in fair value measurement as a whole.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***IX. DISCLOSURE OF FAIR VALUE (CONTINUED)****(I) Fair value of assets and liabilities measured at fair value as at the end of the period**

Items	Fair value at the end of the period			Total
	Level 1	Level 2	Level 3	
	Fair value measurement	Fair value measurement	Fair value measurement	
I. Continuing fair value measurement				
◆ Held-for-trading financial assets	275,186.50			275,186.50
1. Financial assets at fair value through profit and loss	275,186.50			275,186.50
Investment in equity instruments	275,186.50			275,186.50
◆ Receivables financing			520,970,906.21	520,970,906.21
◆ Investment in other equity instruments	165,558,149.64		78,480,597.18	244,038,746.82
Total assets measured at fair value on a recurring basis	165,833,336.14		599,451,503.39	765,284,839.53

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

(II) Basis for determining the market price of items persistently and non-persistently measured at fair value at the first level

The Company's investments in equity instruments which are persistently measured at level 1 fair value at the end of the period are publicly issued shares, and the fair value at the end of the period represents the share price as at 30 June 2022. The other investments in equity instruments measured at level 1 fair value are publicly issued shares of IRICO Display Devices Co., Ltd. held by the Company not for short-term trading, and the fair value at the end of the period represents the share price as at 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***IX. DISCLOSURE OF FAIR VALUE (CONTINUED)*****(III) Valuation techniques used and the qualitative and quantitative information of key parameters for items persistently and non-persistently measured at fair value at the third level***

1. Other investments in equity instruments held by the Company which are measured at level 3 fair value represent 7.2953% equity interest in Shaanxi Caihong Electronics Glass Co., Ltd., which is an unlisted company. Fair value is determined by using the net asset basis method as of the balance sheet date. According to Zhong Tian Hua Zi Bao Zi (2022) No. 2058 issued by Beijing Zhong Tian Hua Asset Appraisal Company Limited, the valuation reference date is 31 December 2021. According to International Private Equity and Venture Capital Valuation Guidelines, if the return on assets of the enterprise is not high and the value of liquidation or disposal of the assets would be higher, the fair value of the enterprise can be determined by referring to the net asset value of the enterprise. The investments of IRICO Electronics was estimated by using the net asset basis method. The Company was of the opinion that there were no significant changes in the asset and operating condition of Shaanxi Caihong Electronics Glass Co., Ltd. as at 30 June 2022 and therefore the fair value as of 31 December 2021 was adopted.
2. Receivables financing held by the Company which are measured at level 3 fair value is bill receivable. The intention for holding such bill receivable is for endorsement, its remaining period is short, and the book value is equal to the fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES****(I) Information on the parent company of the Company**

Name of the parent company	Place of registration	Nature of Business	Registered Capital (RMB'000)	Percentage of shareholding in the Company held by the parent company (%)	Percentage of voting rights in the Company held by the parent company (%)
IRICO Group Corporation Limited* (彩虹集團有限公司)	Beijing	Production and sales of electronic components	245,129.19	34.44	34.44

Notes:

IRICO Group Corporation Limited directly holds 30.15% of the shares of the Company; Rui Bou Electronics (HK) Limited is a wholly-owned subsidiary of IRICO Group Corporation Limited, holding 4.29% of the shares of the Company. IRICO Group Corporation Limited directly and indirectly holds 34.44% of the shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(I) Information on the parent company of the Company (Continued)

Notes: (Continued)

Xianyang Zhongdian IRICO Group Holdings Ltd. is directly held as to 72.08% by China Electronics and Information Industry Group Co., Ltd.* and as to 27.92% by IRICO Group Corporation Limited, holding 14.30% of the shares of the Company.

Zhongdian Financial Investment Holdings Co., Ltd.* (中電金投控股有限公司), a wholly-owned subsidiary of China Electronics and Information Industry Group Co., Ltd.*, holds 26.17% shares of the Company.

China Electronics and Information Industry Group Co., Ltd.* (place of registration: Beijing, the PRC), through IRICO Group Corporation Limited, Xianyang Zhongdian IRICO Group Holdings Ltd., Rui Bou Electronics (HK) Limited and Zhongdian Financial Investment Holdings Co., Ltd.* (中電金投控股有限公司), holds 74.91% of the shares of the Company in aggregate, and is the ultimate controlling party of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(II) Information on the subsidiaries of the Company**

Please refer to Note “VII. Interest in other entities” for details of the information on the subsidiaries of the Company.

(III) Information on associates and joint ventures of the Company

Please refer to Note V. (XI) and “VII. Interest in other entities” for details of the major associates and joint ventures of the Company.

(IV) Information on other related parties

Name of other related parties	Relationship between other related party and the Company
China Electronics and Information Industry Group Co., Ltd.*	Ultimate controlling party
Xianyang Zhongdian IRICO Group Holdings Ltd.	Shareholder of the Company
Hefei Epilight Technology Co., Ltd	Same parent company
Jiangsu IRICO Yongneng New Energy Company Limited	Same parent company
Xianyang IRICO Green Energy Co., Ltd.	Same parent company
Hefei IRICO Epilight Industry Co., Ltd.	Under the same ultimate control party
Anhui Hongchen New Materials Technology Co., Ltd.*	Under the same ultimate control party
China Electronics Financial Co., Ltd.	Under the same ultimate control party

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(IV) Information on other related parties (Continued)**

Name of other related parties	Relationship between other related party and the Company
China Electronics System Engineering No. 3 Construction Co., Ltd.	Under the same ultimate control party
China Elec-Trans Int'l Service Co., Ltd.	Under the same ultimate control party
China Electronics System Engineering No. 2 Construction Co., Ltd.	Under the same ultimate control party
Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	Under the same ultimate control party
Xianyang IRICO Electronic Accessories Co., Ltd.	Under the same ultimate control party
Xianyang IRICO Industry Company Limited	Under the same ultimate control party
Panda Xinxing Industrial Co., Ltd.	Under the same ultimate control party
Zhongdian Panda Trade Development Limited Company	Under the same ultimate control party
Nanjing Zhongdian Panda Property Management Co., Ltd.	Under the same ultimate control party
Nanjing Zhongdian Panda Property Management Co., Ltd.	Under the same ultimate control party
Nanjing BOE Display Technology Co., Ltd. (Former name: Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.)	Under the same ultimate control party
Nanjing CEC Panda LCD Technology Co., Ltd.	Under the same ultimate control party
Nanjing CEC Panda Modern Services Co., Ltd.	
Xi'an IRICO Information Co., Ltd.	Under the same ultimate control party

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(IV) Information on other related parties (Continued)**

Name of other related parties	Relationship between other related party and the Company
Zuhai Colour Pearl Industry Company Limited	Under the same ultimate control party
Xianyang China Electronics Western Zhigu Industrial Co., Ltd.	Under the same ultimate control party
China Electronics Commercial Financial Leasing Co., Ltd.	Associated enterprise of ultimate controlling party
Xianyang Cailian Packaging Materials Co., Ltd.	Investee company of the Company's controlling shareholder
IRICO (Hefei) LCD Glass Co., Ltd.	Other related relationship
IRICO Labour Service Company	Other related relationship
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	Other related relationship
Shaanxi IRICO Photoelectric Materials Co., Ltd.	Other related relationship
Xianyang IRICO Optoelectronics Technology Co., Ltd.	Other related relationship
Wuhan Lidao Technology Co., Ltd	Other related relationship
Hefei Xincheng State-owned Assets Management Co., Ltd.	A shareholder which held more than 5% of the shares of the Company during the Reporting Period

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions**

- Related party transactions for purchase and sales of goods/receipt and provision of services*

Purchase of goods/receipt of services

Name of related parties	Subject	Amount for the period	Amount for the same period of last year
Xianyang Cailian Packaging Materials Co., Ltd.	Purchase of goods	18,912,291.71	18,489,977.15
Anhui Hongchen New Materials Technology Co., Ltd.	Purchase of goods	12,024,681.39	5,117,411.57
Hefei IRICO Epilight Industry Co., Ltd.	Purchase of goods	8,982,675.69	9,684,988.09
Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	Purchase of goods/ receipt of services	7,904,393.58	5,300,449.95
Wuhan Lidao Technology Co., Ltd*	Receipt of services	5,788,974.59	
Xianyang IRICO Green Energy Co., Ltd.	Purchase of goods/ receipt of services	3,707,519.46	509,433.96
China Elec-Trans Int'l Service Co., Ltd.	Transportation expenses	1,984,512.30	5,375,703.75
Hanzhong IRICO Jiarunze Mining Co., Ltd	Purchase of goods	1,178,846.06	7,867,289.26
CLP IRICO Smart Lighting Technology Co., Ltd.	Receipt of services	139,823.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***1. Related party transactions for purchase and sales of goods/receipt and provision of services (Continued)*

Purchase of goods/receipt of services (Continued)

Name of related parties	Subject	Amount for the period	Amount for the same period of last year
Nanjing Zhongdian Panda Property Management Co., Ltd.	Receipt of services	79,245.28	236,415.08
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	Electricity fee	61,097.34	35,280.22
Xianyang China Electronics Western Zhigu Industrial Co., Ltd.	Electricity fee	15,813.52	
IRICO (Hefei) LCD Glass Co., Ltd.	Purchase of goods		50,870,304.95
Nanjing Zhongdian Panda Property Management Co., Ltd.	Purchase of goods		8,230,890.43
IRICO Group Corporation Limited	Purchase of goods		962,831.85
Hefei Xincheng State-owned Assets Management Co., Ltd.	Purchase of goods		381,398.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)**

1. *Related party transactions for purchase and sales of goods/receipt and provision of services (Continued)*

Sale of goods/provision of services (Continued)

Name of related parties	Subject	Amount for the period	Amount for the same period of last year
Hefei IRICO Epilight Industry Co., Ltd.	Sale of goods	445,733.67	492,405.06
IRICO (Hefei) LCD Glass Co., Ltd.	Sale of goods	442,118.03	355,525.92
Xianyang Cailian Packaging Materials Co., Ltd.	Sale of goods	52,526.59	
Jiangsu IRICO Yongneng New Energy Company Limited	Sale of goods		13,075,276.64
IRICO Group Corporation Limited	Sale of goods		39,604.99

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***2. Leasing with related parties*

The Company as the lessor:

Name of lessee	Type of assets under lease	Income recognized from leasing for the period	Income recognized
			from leasing for the same period of last year
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃 有限公司)	Plants	3,280,657.86	2,463,393.42
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯 包裝材料有限公司)	Plants	172,800.00	161,083.02

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**(V) Related party transactions (Continued)****2. Leasing with related parties (Continued)**

The Company as the lessee:

Name of lessor	Type of assets under lease	Amount for the period			Amount for the same period of last year		
		Simplified short-term lease and low value assets lease expense and variable lease payments not included in lease liabilities	Rental paid	Increase of right of use assets	Simplified short-term lease and low value assets lease expense and variable lease payments not included in lease liabilities	Rental paid	Increase of right of use assets
Xianyang Zhongdian IRICO Group Holdings Ltd.	Office	1,531,670.58			1,531,670.58		199,059.94
Xianyang China Electronics Western Zhigu Industrial Co., Ltd.*	Office		291,047.62	13,197.86	291,047.60	1,086,200.17	25,797.25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties*

The Company as a guaranteed party:

Guarantor	Amount of guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
IRICO Group Corporation Limited	100,000,000.00	2021.6.16	2022.5.17	Yes
IRICO Group Corporation Limited	30,000,000.00	2021.11.3	2025.6.21	No
IRICO Group Corporation Limited	30,000,000.00	2021.11.12	2022.5.29	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	100,000,000.00	2021.5.31	2022.6.2	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	200,000,000.00	2021.1.25	2022.6.2	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	50,000,000.00	2021.5.24	2022.6.20	Yes
IRICO Group Corporation Limited	100,000,000.00	2020.1.14	2022.5.18	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	150,000,000.00	2020.1.7	2022.5.20	Yes
IRICO Group Corporation Limited	50,000,000.00	2020.7.15	2025.7.14	No
IRICO Group Corporation Limited	40,000,000.00	2021.4.30	2022.5.5	Yes
IRICO Group Corporation Limited	100,000,000.00	2021.4.21	2025.4.20	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	100,000,000.00	2021.5.25	2022.5.25	Yes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties (Continued)*

The Company as a guaranteed party: (Continued)

Guarantor	Amount of guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd.	50,000,000.00	2021.3.15	2022.3.18	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	50,000,000.00	2019.12.17	2022.6.21	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	25,000,000.00	2019.12.9	2022.6.21	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	53,500,000.00	2019.9.25	2024.9.29	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	300,000,000.00	2017.8.21	2022.4.21	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd., IRICO Group Corporation Limited	80,000,000.00	2019.7.22	2022.5.25	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	200,000,000.00	2020.6.23	2024.6.22	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	22,000,000.00	2020.3.20	2024.3.20	No
IRICO Group Corporation Limited	53,500,000.00	2019.1.23	2022.2.25	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd., IRICO Group Corporation Limited	40,000,000.00	2020.11.25	2023.12.2	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties (Continued)*

The Company as a guaranteed party: (Continued)

Guarantor	Amount of guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd.	150,000,000.00	2020.12.16	2022.5.24	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	150,000,000.00	2020.11.11	2022.2.21	Yes
IRICO Group Corporation Limited	70,000,000.00	2022.4.1	2023.3.1	No
IRICO Group Corporation Limited	30,000,000.00	2022.4.29	2023.3.20	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	40,000,000.00	2022.4.25	2023.4.24	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	60,000,000.00	2022.3.11	2023.3.31	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)**4. *Borrowings from or lending to related parties*

Related Party	Lending amount	Commencement date	Maturity date	Notes
Lending Hanzhong IRICO Jiarunze Mining Co., Ltd	14,300,000.00	2019.10.15	2024.06.20	

Note 1: For such borrowings from Hanzhong IRICO Jiarunze Mining Co., Ltd., the interest of which with an amount of RMB244,711.22 was paid by China IRICO Electronics Import & Export Co., Ltd. to the Company during the year.

Note 2: The borrowings of Hanzhong IRICO Jiarunze Mining Co., Ltd. were repaid in full by China IRICO Electronics Import & Export Co., Ltd. on 25 July 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***5. Other related party transactions**(1) Licensing of trademarks*

The Company and IRICO Group entered into the Trademark License Contract between IRICO Group Corporation and IRICO Group New Energy Company Limited, pursuant to which, IRICO Group has granted the right to use a total of 9 trademarks registered with the Trademark Office of the State Intellectual Property Office, namely “992031”, “925645”, “992157”, “1028194”, “1080189”, “40566212”, “40558599”, “40551476” and “40565399”, free of charge to the Company and its subsidiaries for a term commencing from 1 January 2018 to 31 December 2028. Pursuant to the agreement between the Company and IRICO Group, IRICO Group may license the above trademarks to third parties not engaged in the business of photovoltaic glass, and IRICO Group shall not continue to use or license the licensed trademarks to third parties in the field of photovoltaic glass. Within 3 months before the expiry of the above agreement, the Company shall apply for renewal in writing, and the agreement shall be automatically extended for another 10 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)**5. *Other related party transactions (Continued)*

- (2) Deposit and loan with China Electronics Financial Co., Ltd.

Related party	Subject	Closing balance/ amount for the period
China Electronics Financial Co., Ltd.	Bank deposit	8,421,871.53
China Electronics Financial Co., Ltd.	Receipts from interest	116,085.86
China Electronics Financial Co., Ltd.	Balance of loan	50,051,875.01
China Electronics Financial Co., Ltd.	Payment of interest	4,846,527.78

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties***1. Receivables from related parties*

Item	Related Party	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Monetary funds					
	China Electronics Financial Co., Ltd.	8,421,871.53		144,606,239.35	
Accounts receivable					
	IRICO (Hefei) LCD Glass Co., Ltd.	3,650,917.23			
	Xianyang Cailian Packaging Materials Co., Ltd.	223,025.69			
	IRICO Group Corporation Limited	2,500.00	750.00	2,500.00	
	Jiangsu IRICO Yongneng New Energy Company Limited			8,198,032.95	
Bills receivable					
	Hefei IRICO Epilight Industry Co., Ltd.	500,000.00			
	Jiangsu IRICO Yongneng New Energy Company Limited			8,820,000.00	
Prepayments					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

*(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)**1. *Receivables from related parties (Continued)*

Item	Related Party	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
	China Electronics System Engineering No. 3 Construction Co., Ltd.	1,590,576.00			
	Xianyang China Electronics Western Zhigu Industrial Co., Ltd.*	272,270.35			
	IRICO Labour Service Company	56,710.54		56,710.54	
	Hanzhong IRICO Jiarunze Mining Co., Ltd			2,580,443.47	
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.			697,887.00	
Other receivables	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	15,750.00		15,750.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***1. Receivables from related parties (Continued)*

Item	Related Party	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Long-term receivables					
	Hanzhong IRICO Jiarunze Mining Co., Ltd	14,300,000.00		19,110,000.00	
Other non-current assets					
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	19,700,000.00			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties
(Continued)***2. Payables to related parties*

Item	Related party	Closing balance	Balance at the end of the last year
Short-term borrowings	China Electronics Financial Co., Ltd.	50,051,875.01	250,313,958.33
Accounts payables	IRICO Group Corporation Limited	69,649,999.47	103,531,999.07
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	3,908,369.84	1,145,771.07
	Anhui Hongchen New Materials Technology Co., Ltd.	5,788,974.59	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties (Continued)*

Item	Related party	Closing balance	Balance at the end of the last year
	Anhui Hongchen New Materials Technology Co., Ltd.	5,469,922.74	1,408,302.65
	China Elec-Trans Int'l Service Co., Ltd.	5,150,661.17	2,987,542.76
	Xianyang Cailian Packaging Materials Co., Ltd.	5,878,707.51	11,353,535.99
	Zhongdian Panda Trade Development Limited Company	1,466,022.34	1,466,022.34
	Xianyang IRICO Electronic Accessories Co., Ltd.	827,705.60	827,705.60
	Xianyang IRICO Green Energy Co., Ltd.	452,176.00	150,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties (Continued)*

Item	Related party	Closing balance	Balance at the end of the last year
	Hefei IRICO Epilight Industry Co., Ltd.	169,301.33	2,175,260.14
	Hanzhong IRICO Jiarunze Mining Co., Ltd	1,093,480.35	39,835.38
	Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	42,893.57	33,853.57
	China Electronics System Engineering No. 3 Construction Co., Ltd.	5,000.00	5,000.00
	Xianyang CEC Western Zhigu Industrial Co., Ltd.		18,777.26

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties (Continued)*

Item	Related party	Closing balance	Balance at the end of the last year
Bills payable			
	Xianyang Cailian Packaging Materials Co., Ltd.	12,729,747.49	3,694,385.00
	Anhui Hongchen New Materials Technology Co., Ltd.	5,832,706.18	2,028,813.89
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	4,964,000.00	3,604,000.00
	Hefei IRICO Epilight Industry Co., Ltd.	2,393,017.90	3,176,409.83
	IRICO Group Corporation Limited	576,000.00	396,000.00
	Hanzhong IRICO Jiarunze Mining Co., Ltd	332,240.00	431,260.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties (Continued)*

Item	Related party	Closing balance	Balance at the end of the last year
	CLP IRICO Smart Lighting Technology Co., Ltd.	100,000.00	
	IRICO (Hefei) LCD Glass Co., Ltd.		44,740,000.00
	Zhongdian Panda Trade Development Limited Company		2,587,592.70
	China Electronics System Engineering No. 3 Construction Co., Ltd.		889,974.27
	Nanjing Zhongdian Panda Property Management Co., Ltd.		63,374.79

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties (Continued)*

Item	Related party	Closing balance	Balance at the end of the last year
Other payables			
	Xi'an IRICO Information Co., Ltd.	1,259,314.14	1,259,314.14
	China Elec-Trans Int'l Service Co., Ltd.	200,000.00	200,000.00
	China Electronics System Engineering No. 3 Construction Co., Ltd.	51,310.00	51,310.00
	Hefei IRICO Epilight Industry Co., Ltd.	30,000.00	30,000.00
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	25,000.00	15,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***2. Payables to related parties (Continued)*

<u>Item</u>	<u>Related party</u>	<u>Closing balance</u>	<u>Balance at the end of the last year</u>
	Xianyang Cailian Packaging Materials Co., Ltd.	10,000.00	10,000.00
	Nanjing Zhongdian Panda Property Management Co., Ltd.	10,000.00	10,000.00
	Xianyang Zhongdian IRICO Group Holdings Ltd.		3,063,341.16
	Xianyang IRICO Green Energy Co., Ltd.		2,246,500.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VII) Centralized Fund Management***1. Funds transferred by the Company to the Group*

Funds deposited directly into Finance Company by the Company which are not transferred to the accounts of the Group's parent company

Item	Closing balance		Balance at the end of the last year	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Monetary funds	<u>8,421,871.53</u>	<u> </u>	<u>144,606,239.35</u>	<u> </u>
Total	8,421,871.53		144,606,239.35	
Including: Cash withdrawal restricted due to centralized fund management	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VII) Centralized Fund Management (Continued)**

2. *Funds borrowed by the Company from the parent company or member companies of the Group*

Item	Closing balance	Balance at the end of the last year
Short-term borrowings	50,051,875.01	250,313,958.33
Other payables	1,259,314.14	3,505,814.14
Total	51,311,189.15	253,819,772.47

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***XI. COMMITMENTS AND CONTINGENCIES****(I) Important commitments***1. Important commitments**Unit: RMB0'000*

Project	Contractual investment	Investment recognized	Investment not recognized
Hefei Photovoltaic Glass Project	203,157.59	198,421.39	4,736.20
Xianyang Photovoltaic Glass Project	19,715.00	3,498.84	16,216.16
Jiangxi Shangrao Photovoltaic Glass Project	290,289.00	20,849.61	269,439.39
Total	513,161.59	222,769.84	290,391.75

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies

1. Important contingencies

1. For the guarantee provided by the Company for the bank loan of the subsidiary, please refer to note “X. (V).3. Related Party Guarantees”.

2. Litigation

- (1) Dispute over Contract Default by the Company against LDK Solar High-Tech (Nanchang) Co., Ltd

On 22 March 2016, the Company filed a lawsuit with the Intermediate People’s Court of Xianyang City on the ground that LDK Solar High-Tech (Nanchang) Co., Ltd (hereinafter referred to as “LDK”) was in breach of the payment obligations under the six solar coated glass purchase contracts signed by both parties, requesting the defendant LDK to pay RMB17,019,237.68 for goods, RMB85,000 for liquidated damages and the interest accrued on the above amount from the date of prosecution based on the bank loan interest for the same period to the date of payment, and bear the litigation costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)****(II) Contingencies (Continued)***2. Litigation (Continued)*

- (1) Dispute over Contract Default by the Company against LDK Solar High-Tech (Nanchang) Co., Ltd (Continued)

On 4 May 2016, the Intermediate People's Court of Xinyu City, Jiangxi Province accepted the case of LDK Bankruptcy Reorganisation and notified the creditors to declare their claims. The Company has declared its creditor's rights against LDK to the Intermediate People's Court of Xinyu City, Jiangxi Province (totaling RMB16,091,521.17), and the amount recognized by the management of LDK is RMB15,924,308.94.

As at the date of this report, LDK is still in the process of bankruptcy and reorganization, and the Company has not obtained debt repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies (Continued)

2. Litigation (Continued)

- (2) Dispute over breach of contract by Jiangsu Dongxin Energy Technology Co., Ltd. against the Company and Shaanxi New Material, a company which has been divested by the Company

On 12 August 2020, Jiangsu Dongxin Energy Technology Co., Ltd. (hereinafter referred to as “Jiangsu Dongxin”) filed a lawsuit with the People’s Court of Dongtai City, Jiangsu Province on the ground that Shaanxi New Material was in breach of its obligations under the Product Processing Agreement signed by both parties, requesting for an order to terminate the Product Processing Agreement signed by it and Shaanxi New Material, and ordering Shaanxi New Material to compensate for its losses of RMB45,638,600 and bear the costs of the litigation. On 8 January 2021, Jiangsu Dongxin applied to the People’s Court of Dongtai City, Jiangsu Province to add the Company as a co-defendant and require the Company to bear joint and several liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)****(II) Contingencies (Continued)***2. Litigation (Continued)*

- (2) Dispute over breach of contract by Jiangsu Dongxin Energy Technology Co., Ltd. against the Company and Shaanxi New Material, a company which has been divested by the Company (Continued)

On 30 December 2021, the People's Court of Dongtai City issued the Civil Judgment of the People's Court of Dongtai City, Jiangsu Province ((2020) Su 0981 Min Chu No. 4955), dismissing the claims of Jiangsu Dongxin. The judgment stated that "during the performance of the Product Processing Agreement, Dongxing Energy not only has not delivered the products or returned the goods on behalf of IRICO New Material after sales, but also has not returned the raw materials according to the agreement. After the settlement of the payment owed to IRICO New Material, Dongxing Energy did not take the initiative to fulfill its obligations."

On 21 January 2022, Dongxin Energy filed an appeal to the Intermediate People's Court of Yancheng City, Jiangsu Province. On 23 August 2022, the Intermediate People's Court of Yancheng, Jiangsu have rejected the request and confirmed the first instance judgment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

XII. POST BALANCE SHEET EVENTS

On 15 August 2022, the Company (as the purchaser) and China Glass Holdings Limited (as the supplier) entered into the Strategic Cooperation Agreement for the purchase and supply of products with an estimated total contract amount of approximately RMB1.0 billion (tax inclusive), the term of which will commence in September 2022 and expire in August 2025. The contract amount and other matters in relation to the purchase and supply of products which have not been agreed on in the Strategic Cooperation Agreement shall be subject to the subsequent purchase framework agreement and purchase order to be signed between both parties. The Strategic Cooperation Agreement may also be delayed, amended or terminated due to force majeure or any other reasons.

XIII. CAPITAL MANAGEMENT

	closing balance	balance at the end of last year
Total liability	3,965,795,678.02	3,209,434,162.95
Less: cash and cash equivalents	461,581,153.75	411,742,786.14
Adjusted net liability	3,504,214,524.27	2,797,691,376.81
Shareholders' equity	1,905,093,361.15	1,919,697,796.03
Adjusted capital	1,905,093,361.15	1,919,697,796.03
Adjusted liability/capital ratio	1.84	1.46

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIV. OTHER SIGNIFICANT EVENTS****(I) A Share Offering of the Company**

On 2 November 2021, the Board considered and approved the resolutions in relation to the A Share IPO and relevant authorization matters. The Company proposed to apply for the initial public offering of Renminbi ordinary shares (A Shares) and listing on the ChiNext Board of the Shenzhen Stock Exchange to issue not more than 58,780,000 A Shares with a nominal value of RMB1.00 each. The aforesaid matters are subject to the consideration and approval at the EGM, the H shareholders' class meeting and the domestic shareholders' class meeting.

On 24 November 2021, the SASAC of the State Council issued the Reply on Matters Related to the Public Issuance of A Shares by IRICO Group New Energy Company Limited (Guo Zi Chan Quan [2021] No. 582).

On 15 December 2021, the 2021 second extraordinary general meeting, the 2021 first domestic shareholders' class meeting and the 2021 first H shareholders' class meeting considered and approved the resolutions relating to the A Share IPO and relevant authorization matters.

On 28 December 2021, the Shenzhen Stock Exchange has accepted the Company's application for the Proposed A Share Offering, and issued the "Letter of Review and Enquiry Regarding the Application Documents for the Initial Public Offering and Listing on the ChiNext Market of IRICO Group New Energy Company Limited" (Shen He Han [2022] No. 010125) on 24 January 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) A Share Offering of the Company (Continued)

On 29 May 2022, the Shenzhen Stock Exchange issued the Second Letter of Review and Inquiries of the Application Documents for IRICO Group New Energy Company Limited's Initial Public Offering and Listing on ChiNext (Shen He Han [2022] No. 010462).

On 17 July 2022, the Shenzhen Stock Exchange issued the Opinion Implementation Letter of the Application Documents for IRICO Group New Energy Company Limited's Initial Public Offering and Listing on ChiNext (Shen He Han [2022] No. 010647).

On 25 August 2022, the 56th review meeting of the Listing Committee for the ChiNext Market of the SZSE was held. According to the review results of the meeting, the application for the Proposed A Share Offering of the Company has been reviewed and approved by the Listing Committee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)****(II) Adjustments to previous financial statements**

Reasons for adjustment	Project Name	January to June in 2021
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	34,962,387.95
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	-34,962,387.95
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	-130,981.25
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	-130,981.25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)**(III) Segment information**

Due to the highly integrated business and unified internal organizational structure, in terms of technology and marketing strategy, the management of the Company does not separately manage operating activities and there are no reportable segments.

XV. SUPPLEMENTAL INFORMATION**(I) Breakdown of non-recurring profit or loss for the current period**

Item	Amount	Note
Government grant recognized in current profit or loss, except for those acquired in the ordinary course of business and granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standards	10,330,514.90	
Funds occupation fee accounted for in the profit or loss of the current period charged to non-financial enterprises	244,711.22	
Investment gains from disposal of long-term equity investment	873,431.16	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(I) Breakdown of non-recurring profit or loss for the current period (Continued)**

Item	Amount	Note
Apart from hedging instruments relating to the normal operations of the Company, profit or loss from change in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities, and other debt investments	41,770.06	
Other non-operating income and expenses other than the above	-78,522.00	
Other profit or loss items falling within the meaning of non-recurring profit or loss	12,650.78	
Subtotal	11,424,556.12	
Effect of income tax	1,731,678.34	
Effect of minority interests (After tax)	_____	
Total	<u><u>9,692,877.78</u></u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2022

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

XV. SUPPLEMENTAL INFORMATION (CONTINUED)**(I) Breakdown of non-recurring profit or loss for the current period (Continued)**

Other explanation for the non-recurring profit or loss:

Item	Amount	Note
Refund of personal income tax service fee	12,650.78	

(II) Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	3.07	0.4588	0.4588
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss items	2.59	0.3860	0.3860

IRICO GROUP NEW ENERGY COMPANY LIMITED

On 31 August 2022