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IRICO

彩虹集團新能源股份有限公司

IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

2022 ANNUAL RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of IRICO Group New Energy Company Limited* (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”). The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and notes to the condensed consolidated financial statements for the year ended 31 December 2022 as set out in this announcement are consistent with the amounts set out in the audited consolidated financial statements of the Group for the same year.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

(All amounts in RMB Yuan unless otherwise stated)

Assets	31 December 2022	31 December 2021 (restated)	31 December 2020 (restated)
Current Assets:			
Cash at bank and on hand	592,484,311.65	702,100,943.55	717,909,270.00
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets	254,707.15	299,398.19	335,160.70
Derivative financial assets			
Bills receivable	432,102,592.61	401,498,775.46	473,448,034.86
Accounts receivable	599,877,704.41	342,362,113.37	247,713,393.53
Receivables financing	591,856,065.84	354,722,215.86	249,513,539.10
Prepayments	73,339,315.16	68,283,370.73	30,789,957.11
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	17,541,930.31	35,599,357.48	374,583,997.35
Financial assets acquired for resale			
Inventory	356,466,798.65	225,839,074.55	178,811,652.24
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	42,457,070.72	43,729,587.41	38,462,630.38
Total current assets	2,706,380,496.50	2,174,434,836.60	2,311,567,635.27

Assets	31 December 2022	31 December 2021 (restated)	31 December 2020 (restated)
Non-current Assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term accounts receivable		19,110,000.00	22,923,378.88
Long-term equity investment		8,952,949.24	11,730,970.89
Other investments in equity instruments	241,646,308.47	319,742,687.04	308,930,383.16
Other non-current financial assets			
Investment properties			
Fixed assets	2,439,289,550.92	1,862,123,331.95	2,020,374,315.54
Construction in progress	441,725,710.31	530,673,922.41	367,729,484.07
Productive biological assets			
Oil and gas assets			
Right-of-use assets	1,086,200.17	543,100.08	8,012,893.41
Intangible assets	171,183,790.00	176,032,947.84	180,322,283.76
Development expenditures			
Goodwill			
Long-term deferred expenses	15,341,888.30	4,904,582.22	
Deferred income tax assets	13,076,872.92	23,746,284.70	43,856,814.93
Other non-current assets	348,513,314.97		
Total non-current assets	<u>3,671,863,636.06</u>	<u>2,945,829,805.48</u>	<u>2,963,880,524.64</u>
Total assets	<u><u>6,378,244,132.56</u></u>	<u><u>5,120,264,642.08</u></u>	<u><u>5,275,448,159.91</u></u>

**Liabilities and equity
attributable to the owners**

	31 December 2022	31 December 2021 (restated)	31 December 2020 (restated)
Current liabilities:			
Short-term borrowings	1,361,967,830.99	942,809,101.30	675,191,483.33
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	789,306,348.19	729,078,281.00	793,674,677.38
Accounts payables	705,541,467.50	530,695,955.76	820,624,567.85
Receipts in advance			
Contract liabilities	9,177,620.54	3,809,488.82	64,509,216.01
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	2,175,845.91	18,732,259.41	9,993,780.39
Taxes charge payable	16,676,129.43	10,717,787.46	23,125,237.37
Other payables	86,520,207.50	67,381,715.92	79,803,624.06
Handling fee and commission payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	129,286,130.56	203,887,815.77	305,102,565.12
Other current liabilities	281,682,798.07	153,026,117.10	352,069,253.54
Total current liabilities	<u>3,382,334,378.69</u>	<u>2,660,138,522.54</u>	<u>3,124,094,405.05</u>

Liabilities and equity attributable to the owners	31 December 2022	31 December 2021 (restated)	31 December 2020 (restated)
Non-Current Liabilities:			
Insurance policy reserve			
Long-term borrowings	958,359,539.56	472,400,000.00	230,060,300.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	530,500.70		5,716,249.99
Long-term payables	50,000,000.00	13,465,592.05	109,108,886.69
Long-term employee benefits payable		1,187,564.81	3,974,743.13
Estimated liabilities			
Deferred income	65,053,216.31	62,242,483.55	66,907,014.72
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	<u>1,073,943,256.57</u>	<u>549,295,640.41</u>	<u>415,767,194.53</u>
Total Liabilities	<u>4,456,277,635.26</u>	<u>3,209,434,162.95</u>	<u>3,539,861,599.58</u>

Liabilities and equity attributable to the owners	31 December 2022	31 December 2021 (restated)	31 December 2020 (restated)
Equity attributable to the owners:			
Share capital	176,322,070.00	176,322,070.00	3,526,441,400.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	4,281,160,374.64	4,281,160,374.64	931,041,044.64
Less: Treasury shares			
Other comprehensive income	-241,731,435.66	-163,635,057.09	-174,447,360.97
Special reserve			
Surplus reserve	22,477,267.06	22,477,267.06	22,477,267.06
General risk reserve			
Undistributed profit	-2,316,261,778.74	-2,405,494,175.48	-2,569,925,790.40
Total equity attributable to the owners of the parent company	1,921,966,497.30	1,910,830,479.13	1,735,586,560.33
Minority interest	_____	_____	_____
Total equity attributable to the owners	<u><u>1,921,966,497.30</u></u>	<u><u>1,910,830,479.13</u></u>	<u><u>1,735,586,560.33</u></u>
Total liabilities and equity attributable to the owners	<u><u>6,378,244,132.56</u></u>	<u><u>5,120,264,642.08</u></u>	<u><u>5,275,448,159.91</u></u>

CONSOLIDATED INCOME STATEMENT

For the year of 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	For the year of 2022	For the year of 2021 (restated)
I. Total operating revenue	2,470,277,467.65	2,067,062,702.08
Including: Operating revenue	2,470,277,467.65	2,067,062,702.08
Interest income		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	2,387,244,125.55	1,878,851,726.96
Including: Operating costs	2,107,423,656.11	1,616,589,112.09
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	22,574,847.68	21,156,835.62
Selling expenses	4,983,775.93	7,141,170.59
Administrative expenses	113,347,154.53	110,127,881.73
Research and development expenses	66,866,866.25	54,400,183.71
Finance costs	72,047,825.05	69,436,543.22
Including: Interest expense	82,033,768.20	69,107,769.77
Interest income	12,979,558.98	6,146,823.05

Item	For the year of 2022	For the year of 2021 (restated)
Add: Other income	15,375,594.85	25,429,853.67
Investment income (loss is represented by “-”)	3,483,156.02	-10,033,127.02
Including: Gains from investment in associates and joint ventures	-629,919.54	-2,778,021.65
Income from derecognition of financial asset at the amortised 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 “-”)	-20,461.44	-34,615.19
Credit impairment losses (loss is represented by “-”)	-1,261,866.46	-1,636,304.42
Impairment losses on assets (loss is represented by “-”)	-962,421.48	-15,838,020.96
Gains from disposal of assets (loss is represented by “-”)	690,861.59	587,077.11
III. Operating profit (loss is represented by “-”)	100,338,205.18	186,685,838.31
Add: Non-operating income	546,478.47	2,495,966.04
Less: Non-operating expenses	96,000.00	1,474,466.49

Item	For the year of 2022	For the year of 2021 (restated)
IV. Total profit (total loss is represented by “-”)	100,788,683.65	187,707,337.86
Less: Income tax expenses	11,556,286.91	23,275,722.94
V. Net profit (net loss is represented by “-”)	89,232,396.74	164,431,614.92
(I) Classified by continuity of operations	89,232,396.74	164,431,614.92
1. Net profit from continuing operations (net loss is represented by “-”)	89,232,396.74	164,431,614.92
2. Net profit from discontinued operations (net loss is represented by “-”)		
(II) Classified by ownership of equity	89,232,396.74	164,431,614.92
1. Net profit attributable to the shareholders of the parent company (net loss is represented by “-”)	89,232,396.74	164,431,614.92
2. Minority interests (net loss is represented by “-”)		
VI. Other comprehensive income, net of tax	-78,096,378.57	10,812,303.88
Other comprehensive income (net of tax) attributable to the owners of the parent company	-78,096,378.57	10,812,303.88
(I) Other comprehensive income that cannot be reclassified to profit or loss	-78,096,378.57	10,812,303.88
1. Re -measurement of changes in defined benefit plan		
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method		
3. Changes in fair value of other equity instrument investments	-78,096,378.57	10,812,303.88
4. Changes in fair value of enterprise’s own credit risk		

Item	For the year of 2022	For the year of 2021 (restated)
(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. Changes in fair value of other debt investments		
3. Amount Of Financial Assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flows hedging reserve		
6. Exchange differences from translation of foreign currency financial statements		
7. Others		
Other comprehensive income (net of tax) attributable to minority shareholders		
VII. Total comprehensive income	11,136,018.17	175,243,918.80
Total comprehensive income attributable to the owners of the parent company	11,136,018.17	175,243,918.80
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(I) Basic earnings per share <i>(RMB/share)</i>	0.5061	1.2346
(II) Diluted earnings per share <i>(RMB/share)</i>	0.5061	1.2346

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2022 (All amounts in RMB Yuan unless otherwise stated)

I. COMPANY PROFILE

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

The Company and its subsidiaries (collectively referred to as the “**Group**”) are engaged in solar photovoltaic business and others.

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

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

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises–Basic Standards and its relevant specific accounting standards, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant requirements (together referred to as the “**Accounting Standards for Business Enterprises**”) promulgated by the Ministry of Finance of the PRC. In addition, the financial statements complied with the applicable disclosure provisions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(II) Going concern

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates indication:

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

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

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, reflecting the Company’s financial position as at 31 December 2022, and the Company’s operating results and cash flows in 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).

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

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

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

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

(VI) Preparation method of consolidated financial statements

1. *Scope of consolidation*

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

2. *Consolidation procedures*

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

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

(1) Addition of subsidiary or business

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

Where control over the investee under common control is obtained due to reasons such as increase in investments, for equity investment held before the control over the acquiree is obtained, profit or loss, other comprehensive income and other changes in net assets recognised 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 and contingent liabilities determined on the date of purchase.

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

(2) Disposal of subsidiary

① General treatment for disposal

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

② Stepwise disposal of subsidiary

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

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

Where the transactions 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 recognised as other comprehensive income in the consolidated financial statements, and upon loss of control, is transferred to profit or loss of the period during which control is lost.

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

(3) Purchase of minority interests in subsidiary

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

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

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

(VII) Classification of joint arrangements and accounting treatment for joint operations

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

Joint operations represent the joint arrangement that a party to a joint arrangement has rights to the assets, and obligations for the liabilities, relating to such arrangement.

The Company recognises the following items in relation to its share of benefits in joint operations:

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

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

(VIII) Recognition standard for cash and cash equivalents

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

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

1. *Foreign currency transactions*

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

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

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

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

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

(X) Financial Instruments

One of the financial asset, financial liabilities or equity instrument is recognised when the Company becomes a party to the contract of the financial instruments.

1. Classification of financial instruments

According to the business model of the Company for management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as financial assets measured at amortised 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 amortised cost:

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

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

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

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

All financial assets not classified as measured at amortised 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 amortised 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 amortised cost.

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

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

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

(1) Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

(4) *Financial assets measured 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 recognised in current profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in fair value are recognised in current profit or loss.

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

(6) Financial liabilities measured at amortised cost

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

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

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

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

The Company derecognise 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 recognise such financial asset.

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

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

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

When the partial transfer of a financial asset meets the criteria for derecognition, the entire book value of the financial asset transferred shall be allocated between the part derecognised and the part to be recognised 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 derecognised;
- (2) The sum of the consideration attributable to the part derecognised and the total amount of the fair value changes that is directly charged or credited to owners' equity and attributable to the part derecognised (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 recognised and the consideration received is recognised as a financial liability.

4. *Derecognition of financial liabilities*

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part of it will be derecognised; 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 derecognised while the new financial liability shall be recognised.

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 derecognised, and the financial liability after the modification of terms shall be recognised as a new financial liability.

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

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

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

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

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

The Company estimates financial assets measured at amortised 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 recognise the expected credit losses.

If the credit risk of a financial instrument has increased significantly since the initial recognition, the Company measures the loss provisions according to the lifetime expected credit loss of the financial instrument; if the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss provisions at an amount equal to 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.

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

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

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

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

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

(XI) Impairment of receivables

1. *Bills receivable and accounts receivable*

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

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

For the bills receivable, accounts receivable, other receivables and receivables financing with objective evidence of impairment and those that are suitable for individual assessment, the Company conducted impairment test separately, confirmed expected credit loss and made provision for individual impairment.

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

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

The reason of choosing the portfolio of the bills receivable and the method of calculating expected credit loss are as follows:

Items	The reason of choosing the portfolio	The method of calculating expected credit loss
Bills receivable	Bank acceptance bills	Credit risk is characterized by the credit rating of the accepting bank in the bank acceptance bills
	Commercial acceptance bills	Credit risk is characterized by the credit rating of the accepting company in the commercial acceptance bills

The reason of choosing the portfolio of the accounts receivable and the method of calculating expected credit loss are as follows:

Items	The reason of choosing the portfolio	The method of calculating expected credit loss
Accounts receivable	The portfolio of aging	With reference to historical credit loss experience, and in combination with current conditions and future economic conditions forecast, a comparison table of the aging of accounts receivable and the expected credit loss rate over the entire lifetime is prepared to calculate the expected credit loss
	The portfolio of low credit risk	With reference to historical credit loss experience, and in combination with current conditions and future economic conditions forecast, the expected credit loss rate of the portfolio is 0 through exposure to default and lifetime expected credit loss rate

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 (including 6 months)	0
7–12 months (including 12 months)	1
1–2 years (including 2 years)	30
2–3 years (including 3 years)	50
over 3 years	100

In the portfolio, other methods are adopted to make provision for bad debts:

When there is objective evidence indicating that the Company will not be able to recover all the amounts in accordance with the original terms of the receivables, the impairment test is conducted separately based on the difference between the present value of its future cash flows and its carrying amount to make provision for bad debts.

2. *Receivables financing*

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

The Group classifies it as financial assets at fair value through other comprehensive income. It was presented as a receivables financing on the statement. For the relevant specific accounting treatment, please see 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 recognise the expected credit losses for the bills receivable and accounts receivable. For the bills receivable and accounts receivable divided into portfolios, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

The reason of choosing the portfolio of the receivables financing and the method of calculating expected credit loss are as follows:

Items	Reclassified items	The reason of choosing the portfolio	The method of calculating expected credit loss
Receivables financing		Bank acceptance bills	Credit risk is characterized by the credit rating of the accepting bank in the bank acceptance bills
	Bills receivable	Commercial acceptance bills	Credit risk is characterized by the credit rating of the accepting company in the commercial acceptance bills
		The portfolio of aging	With reference to historical credit loss experience, and in combination with current conditions and future economic conditions forecast, a comparison table between the aging of accounts receivable and the expected credit loss rate over the entire lifetime is prepared to calculate the expected credit loss
	Accounts receivable	The portfolio of low credit risk	With reference to historical credit loss experience, and in combination with current conditions and future economic conditions forecast, the expected credit loss rate of the portfolio is 0 through exposure to default and lifetime expected credit loss rate

3. Other receivables

The reason of choosing the portfolio of other receivables and the method of calculating expected credit loss are as follows:

Items	The reason of choosing the portfolio	The method of calculating expected credit loss
	The portfolio of aging	With reference to historical credit loss experience, and in combination current conditions and future economic conditions forecast, a comparison table between the aging of other receivables and the expected credit loss rate over the entire lifetime is prepared to calculate the expected credit loss
Other receivables	The portfolio of deposits, margins and reserves	With reference to historical credit loss experience, and in combination current conditions and future economic conditions forecast, the expected credit loss rate of the portfolio is 0 through exposure to default and lifetime expected credit loss rate
	The portfolio of low credit risk	With reference to historical credit loss experience, and in combination current conditions and future economic conditions forecast, the expected credit loss rate of the portfolio is 0 through exposure to default and lifetime expected credit loss rate

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, etc.

Inventories are measured initially at cost. Cost of inventories comprises costs of purchase, costs of processing and other expenditures incurred in bringing the inventories to their present location and condition.

2. *Measurement for inventories delivered*

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

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

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

Net realisable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling prices less estimated selling costs and relevant taxes; the net realisable 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 realisable 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 realisable value of the excess part shall be calculated on the ground of general selling price.

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, and such written-back amounts would be charged to the current profit or loss.

4. *Inventory system*

The perpetual inventory system is adopted.

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

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

(XIII) Contract assets

1. *Recognition and standard of contract assets*

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is listed as a contract assets. Contract assets and contract liabilities under the same contract shall be shown on a net basis. The right of the Company to charge the customer unconditionally (only 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 Note “III. (X) 6. Test and accounting methods for impairment of financial assets”.

(XIV) Assets classified as held-for-sale

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

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

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

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

When non-current asset (excluding financial asset, deferred income tax asset, 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 recognised 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 a joint venture of the Company.

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

2. *Determination of initial investment cost*

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

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

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

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

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

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

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

(1) *Long-term equity investments accounted for by cost method*

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

(2) *Long-term equity investments accounted for by equity method*

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

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

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

The Company calculates its unrealised profit or loss resulting from internal transactions between the Company and its associate or joint venture based on its attributable percentage and offset such profit or loss, and recognises the investment income on that basis. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognised, except for the disposal of assets that consist of operations.

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

(3) Disposal of long-term equity investments

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

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

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

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

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

(XVI) Investment property

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

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

(XVII) Fixed assets

1. Recognition and initial measurement of fixed assets

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

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

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

For subsequent expenses related to fixed assets, if the related economic benefits are likely to flow into the enterprise and its cost could be reliably measured, such expenses are included in the cost of the fixed asset; and the carrying amount of the replaced part will be derecognised. All other subsequent expenses are included in current profit or loss upon occurrence.

2. *Methods for depreciation*

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

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

Category	Depreciation methods	Useful life (Year)	Residual value rate (%)	Annual depreciation rate (%)
Plant and buildings	Straight-line method	30	3	3.23
Machinery and equipment	Straight-line method	6-18	3	5.28-16.17
Transportation tools	Straight-line method	5	3	19.40
Office equipment and others	Straight-line method	5	3	19.40

3. *Disposal of fixed assets*

A fixed asset is derecognised 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 recognised in current profit or loss.

(XVIII) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(XIX) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised into the cost of relevant assets. Other borrowing costs are recognised as expenses in profit or loss in the period in which they are incurred.

Qualifying assets include fixed assets, investment property and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

2. Capitalisation period of borrowing costs

The capitalisation period refers to the period beginning from the commencement of capitalising borrowing costs to the date of ceasing capitalisation, excluding the period of suspension of capitalisation.

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

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

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

3. *Suspension of capitalisation period*

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

4. *Capitalisation rate and calculation of capitalisation amount of borrowing costs*

As to specific borrowings for the acquisition, construction or production of qualifying assets, borrowing costs from the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or the investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

As to general borrowings for the acquisition, construction or production of qualifying assets, the to-be-capitalised 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.

(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 amortised 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 amortised.

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

Items	Estimated useful lives (Year)	Amortisation method
Land use rights	50	straight-line method
Software	2-5	straight-line method

Useful life and amortisation method of intangible assets with limited useful lives are reviewed at the end of each period.

After review, the useful life and amortisation method of intangible assets at the end of the period are not different from the previous estimates.

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

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

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

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

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

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

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

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

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale;
- (2) the intention to complete the intangible asset for use or for sale;
- (3) the ways in which the intangible asset generate economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market, or if the intangible asset is for internal use, there is evidence that proves its usefulness;

- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) the expenditures attributable to the development phase of the intangible asset could be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, all of which should be included in the current profit or loss.

(XXI) Impairment of long-term assets

Long-term assets such as long-term equity investments, fixed assets, construction in progress, right-to-use assets, intangible assets with a finite useful life are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised 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 recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

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

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

(XXII) Long-term deferred expenses

Long-term deferred expenses are expenses which have occurred but will benefit over 1 year and shall be amortised over the current period and subsequent periods.

The long-term deferred expenses incurred by the Company shall be priced at the actual cost and evenly amortised in the expected beneficial period. As for an item of long-term deferred expenses that cannot benefit any future accounting period, the amortised value of this item shall, when being determined, be entirely recorded into the profits and losses of the current period.

(XXIII) Contract liabilities

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

(XXIV) Employee benefits

1. Accounting treatment methods of short-term benefits

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognised 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 recognise the corresponding employee benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements in the accounting period in which employees provide service.

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

2. Accounting treatment methods of post-employment benefits

(1) Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance for the staff in accordance with the relevant provisions of the local government. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognised as liabilities, and the liabilities would be charged into current profit or loss or costs of relevant assets.

(2) Defined benefit scheme

In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the 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 recognised as net liabilities or net assets of a defined benefit scheme. When the defined benefit scheme has surplus, the Company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

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

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

When the defined benefit scheme is settled, the gain or loss is recognised 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 recognised 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 recognises such cost or expenses associated with the restructuring involving the payment of termination benefits.

(XXV) Estimated liabilities

The Company shall recognise 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.

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 recognised as an asset only when it is virtually certain that the compensation will be received. The amount recognised for the compensation should not exceed the carrying amount of estimated liabilities.

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

(XXVI) Share-based payments

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

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

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the 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.

If the terms of the equity-settled share-based payment are amended, the Company shall recognise 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 recognised as an increase in the service received.

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

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

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

The Company modifies the terms and conditions in a cash-settled share-based payment agreement to make it an equity-settled share-based payment, which shall be measured at the fair value of the equity instrument granted on the date of modification (whether it occurs during or after the end of the vesting period), and the services acquired shall be included in capital surplus, while the liability recognized for the cash-settled share-based payment on the date of modification shall be derecognized, and the difference in between shall be included in profit or loss for the period. If the vesting period is extended or shortened as a result of the modification, the Company shall conduct accounting treatment in accordance the modified vesting period.

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

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

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

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

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

(XXVIII) Revenue

1. Accounting policies adopted for revenue recognition and measurement

The Company recognises revenue when the performance obligation in a contract is fulfilled, namely the customer obtains control of relevant goods or services. Control of a good or service refers to the ability to direct the use of the good or service, and obtain substantially all of the benefits from the goods or services.

If a contract contains two or more performance obligations, at the commencement of the contract, the Company allocates the transaction price into each individual performance obligation according to the relative proportion of each individual selling price of goods or services committed by individual performance obligation, and recognises the revenue according to the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer. The Company considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Company considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer. The Company determines the transaction price that includes variable considerations based on the amount not exceeding the revenue accumulatively recognised which is not likely to be significantly reversed when the relevant uncertainty disappears. Where there are significant financing elements in the contract, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid 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.

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

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

Where performance of a single service contract takes place over a certain period of time, revenue should be recognised 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 recognise revenue only to the extent of the cost until a reliable measure of progress can be made.

For a performance obligation satisfied at a point in time, the Company shall recognise revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of promised goods or services, the Company considers the following indications:

- the Company enjoys the right to collect cash on the goods or services, that is, the customer has the obligation to pay for the goods or services at the present time.
- the Company has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity.

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

2. *Specific methods for revenue recognition*

The Company recognises 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 recognised 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 recognised after the Company ships and registers customs declaration procedures for good departure based on the Company's contracts or orders and commercial trading practices.

(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 recognised 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 recognised as an asset.

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

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognise 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.

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 recognised as deferred income. The amount recognised as deferred income shall be recorded in current profit or loss by installments in a reasonable and systematic way over the useful life of the relevant assets (the government grants related to the Company's daily activities shall be included in other income; and the government grants unrelated to the Company's daily activities shall be included in non-operating income);

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

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

- (1) If the interest grants paid to the bank and then the bank provides bank loans to company with interest rate in preferential policy, the Company will regard the borrowing amount received as the initial value and calculate the principle of borrowing and borrowing costs based on the interest rate in preferential policy.
- (2) If the interest grants paid directly to the Company, the Company will deduct the interest grants from borrowing costs.

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

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

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the temporary differences between the tax bases and the carrying amounts of assets and liabilities.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. For deductible losses and tax credits that can be reversed in the future years, deferred tax assets shall be recognised 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 recognised 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.

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.

At 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 asset will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

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

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

(XXXII) Lease

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

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

1. The Company as a lessee

(1) Right-of-use assets

At the commencement date of lease term, the Company recognises right-of-use assets for leases (excluding short-term leases and leases of low-value assets). Right-of-use assets are measured initially at cost. Such cost comprises:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive);
- initial direct costs incurred by the Company;
- the costs of the Company expected to be incurred for dismantling and removing the leased asset, restoring the site on which the leased asset is located or restoring it to the condition as agreed in the terms of the lease, except those incurred for the production of inventories.

The Company adopts straight-line method to accrue the depreciation of the right to use assets. If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the 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.

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 recognises 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 payment that are based on an index or a rate;
- amounts expected to be payable under the guaranteed residual value provided by the Company;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease option, if the lease term reflects that the Company will exercise that option.

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

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

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

After the commencement date of lease term, if the following circumstances occur, the Company 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 the assessment results of the purchase, extension or termination option change, or the actual exercise condition of the aforementioned options is inconsistent with the original assessment results, the Company remeasures the lease liabilities in accordance with the present value calculated based on the lease payments after changes and the revised discount rate;
- when in-substance fixed payments, the amount expected to be payable under the guaranteed residual value or the index or rate arising from the confirmation of lease payments changed, the Company remeasures the lease liabilities in accordance with the 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.

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

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

(4) Lease change

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

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

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

If the lease change results in a narrower lease or a shorter lease term, the Company reduces the carrying 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.

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 capitalised and then 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. If a change in operating leases occurs, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease payment received in advance or receivable in connection with the lease prior to the change is considered to be the payments of the new lease.

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognises financing lease receivable and derecognises 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 recognises interest income in each period during the lease term, based on a constant periodic interest rate. The derecognition and impairment losses of financing lease receivable are accounted for in accordance with the Note “III. (X) Financial instruments”.

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

When a financing lease changes and the following conditions are simultaneously met, the Group accounts for the lease change as a separate lease:

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

Where a change in a financing lease is not accounted for as a separate lease, the Company accounts for 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”.

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 recognise 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 recognise the transferred assets and recognises a financial liability equal to the transfer income. For details of accounting treatment for financial liabilities, please see Note “III. (X) Financial instruments”.

(2) As a lessor

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

(XXXIII) Discontinued operations

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale, and meets any of the following criteria:

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

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

(XXXIV) 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 derecognised financial assets and its consideration is recognised as a securitization gain or loss and included in the current profit and loss.

(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.

(XXXVI) **Critical accounting estimates and judgements**

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

1. *Estimated useful lives and net residual values of fixed assets*

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

2. *Net realisable value of inventories*

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

3. *Current and deferred income tax*

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

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

4. *Impairment of financial assets*

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

5. *Impairment of non-financial assets*

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

(XXXVII) Changes in significant accounting policies and accounting estimates

1. *Changes in significant accounting policies*

(1) *Implementation of Accounting Standards for Business Enterprises Interpretation No. 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 treatment of trial operation sales

Interpretation No. 15 stipulates the accounting treatment and presentation of products or by-products produced by an enterprise before the fixed assets reach the expected conditions for use or in the course of research and development for external sale, and stipulates that the net amount obtained after offsetting the costs related to the trial operation sales shall not be used to offset against the cost of fixed assets or research and development expenses. These regulations has come into effect since 1 January 2022, and retrospective adjustments shall be made for the trial operation sales that occurred between the beginning of the earliest period of financial statement presentation and 1 January 2022.

Consolidation:

The line items affected	31 December 2021/For the year of 2021	31 December 2020/For the year of 2020
Other current financial assets	1,564,820.63	
Fixed assets	-10,432,137.53	-12,582,103.55
Taxes charge payable		-1,887,315.53
Undistributed profit	-8,867,316.90	-10,694,788.02
Operating revenue		107,336,061.32
Operating costs	-2,149,966.02	119,918,164.87
Total profit	2,149,966.02	-12,582,103.55
Income tax expenses	322,494.90	-1,887,315.53
Net profit	1,827,471.12	-10,694,788.02
Net profit attributable to the shareholders of the parent company	1,827,471.12	-10,694,788.02

The calculation process and operating projects of the adjustment amount of retrospective adjustments of Interpretation No. 15 were set as follows:

Item	31 December 2021/For the year of 2021			31 December 2020/For the year of 2020		
	Operating revenue	Operating costs	Total profit	Operating revenue	Operating costs	Total profit
Yan'an Solar Photovoltaic Glass Furnace Project*(延安太陽能光伏玻璃窯爐項目)		-2,149,966.02	2,149,966.02	107,336,061.32	119,918,164.87	-12,582,103.55

② Judgment on onerous contracts

Interpretation No. 15 clarifies that the “cost of performing the contract” considered by an enterprise in determining whether a contract constitutes an onerous contract shall include both the incremental cost of performing the contract and the apportioned amount of other costs directly related to the performance of the contract. This regulation has come into effect since 1 January 2022, and enterprises shall implement the regulation for contracts that have not yet fulfilled all obligations as at 1 January 2022. The implementation of the cumulative effect adjustment on retained earnings and other related financial statement projects at the beginning of the year has no significant impact on the financial position and operating results of the Company without adjusting the prior comparative financial statement data.

(2) *Implementation of Accounting Standards for Business Enterprises Interpretation No. 16*

On 30 November 2022, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 16 (Cai Kuai [2022] No. 31, hereinafter referred to as “**Interpretation No. 16**”).

- ① Explanation on the accounting treatment of income tax impact of dividends related to financial instruments classified as equity instruments by issuers is provided in Interpretation No. 16 for financial instruments classified as equity instruments by enterprises in which the relevant dividend payments shall be deducted before corporating income tax in accordance with the relevant provisions of the tax policy, the income tax effect on dividends shall be recognised in the recognition of the dividend payable and included in the current profit or loss or in the owners’ equity item (including other comprehensive income items) in a manner consistent with the accounting treatment used in transactions or events in the past that produced distributable profits.

This regulation has come into effect since its promulgation. The implementation of the adjustment on relevant dividend payable occurring between 1 January 2022 and the date of implementation and retrospective adjustment on relevant dividend payable occurring before 1 January 2022 and the relevant financial instrument having not been derecognised by 1 January 2022 have no significant impact on the financial position and operating results of the Company.

- ② Accounting treatment for the modification of cash-settled share-based payments to equity-settled share-based payments by enterprises

Interpretation No. 16 clarifies that if an enterprise modifies the terms and conditions in a cash-settled share-based payment agreement to make it an equity-settled share-based payment, which shall be measured at the fair value of the equity instrument granted on the date of modification (whether it occurs during or after the end of the vesting period), and the services acquired shall be included in capital surplus, while the liability recognized for the cash-settled share-based payment on the date of modification shall be derecognized, and the difference between the two shall be included in profit or loss for the period.

This regulation has come into effect since its promulgation. The relevant transactions added from 1 January 2022 to the implementation date shall be adjusted in accordance with this provision; where the relevant transactions occurring before 1 January 2022 are not dealt with in accordance with this provision, which shall be made retrospective adjustment. The implementation of the cumulative effect adjustment on retained earnings and other related financial statement projects on 1 January 2022 has no significant impact on the financial position and operating results of the Company without adjusting the prior comparative financial statement data.

2. *Changes in significant accounting estimates*

None.

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 paid	7, 5
Educational surcharge and local education surcharge	Based on value added tax paid	3, 2
Enterprise income tax	Based on taxable profits	25, 15

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

Taxpayer	Income tax rate (%)
IRICO Group New Energy Company Limited. (彩虹集團新能源股份有限公司) (parent company)	15
IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹 (合肥) 光伏有限公司)	15
IRICO Yan'an New Energy Co., Ltd.* (彩虹 (延安) 新能源有限公司)	15
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)	25

(II) Preferential tax treatment

1. Pursuant to the “Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy” (Cai Shui [2011] No. 58) 《(關於深入實施西部大開發戰略有關稅收政策問題的通知》(財稅[2011]58號)) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration, from 1 January 2011 to 31 December 2020, enterprise income tax imposed upon any enterprises established in western regions which are engaging in the encouraged industries shall be subject to a reduced rate at 15%, with effect from 1 January 2011. On 23 April 2020, the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission jointly issued the Announcement on the Continuation of the Corporate Income Tax Policy for Western Development (Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission of [2020] No. 23), which specifies that “from 1 January 2021 to 31 December 2030, enterprises in the encouraged industries located in the western regions shall be subject to a reduced corporate income tax rate of 15%. For the purpose of this article, “enterprise in an encouraged industry” means an enterprise whose main business is within the scope of industry projects set out in the Catalogue of Encouraged Industries in western regions and whose revenue from its main business accounts for 60% or more of its gross income. According to the Catalogue of Encouraged Industries in western China (2020 Edition) (Decree No. 40 of the National Development and Reform Commission, which came into force on 1 March 2021), “high-end and high quality float glass, electronic glass, automobile and photovoltaic glass production and downstream deep processing” belongs to the encouraged industry in western regions. The Company, Xianyang Photovoltaic and Yan’an New Energy, the subsidiaries of the Company, fulfilled the conditions for preferential tax policy of the western development, was entitled to the preferential tax policy of the western development and shall be subject to a reduced corporate income tax rate at 15% during the Reporting Period.
2. Hefei Photovoltaic, a subsidiary of the Company, was accredited as a High and New Technology Enterprise (Certificate No. GR201834000268) as approved by the Science and Technology Department of Anhui Province, the Department of Finance of Anhui Province and Anhui Provincial Tax Service of the State Taxation Administration on 24 July 2018, and the validity period of the certificate is three years. Hefei Photovoltaic was accredited as a High and New Technology Enterprise (Certificate No. GR202134001668) again as approved by the Science and Technology Department of Anhui Province, the Department of Finance of Anhui Province and Anhui Provincial Tax Service of the State Taxation Administration on 18 September 2021, and has been entitled to a 15% preferential tax treatment for EIT and the validity period of the certificate is three years.

3. Xianyang Photovoltaic, a subsidiary of the Company, was accredited as a High and New Technology Enterprise (Certificate No. GR202261000379) as approved by the Science and Technology Department of Shanxi Province, the Department of Finance of Shanxi Province and Shanxi Provincial Tax Service of the State Taxation Administration on 12 October 2022, and has been entitled to a 15% preferential tax treatment for EIT and the validity period of the certificate is three years.
4. Yan'an New Energy, a subsidiary of the Company, was accredited as a High and New Technology Enterprise (Certificate No. GR202261004763) as approved by the Science and Technology Department of Shanxi Province, the Department of Finance of Shanxi Province and Shanxi Provincial Tax Service of the State Taxation Administration on 14 December 2022, and has been entitled to a 15% preferential tax treatment for EIT and the validity period of the certificate is three years.
5. Hefei Photovoltaic, Yan'an New Energy and Xianyang Photovoltaic, subsidiaries of the Company, pursuant to the regulations of the Notice on Further Improvement of the Policy of Weighted Pretax Deduction on Research and Development Expenses (Announcement of Ministry of Finance and the State Taxation Administration No. 13 of 2021, is required to deduct 100% of the amount actually incurred which shall be deducted before tax payment, in addition to the deduction as prescribed to the extent of the amount actually incurred since 1 January 2021, where the research and development expenses incurred by an enterprise in research and development activities do not form intangible assets and are included in the current period's profit or loss; and make pre-tax amortisation based on 200% of the costs of the intangible assets since 1 January 2021 where intangible assets are formed.
6. Pursuant to the Announcement on Further Strengthening the Implementation of Policy of Value-added Tax (VAT) Credit Refund at the End of the Period of the No. 14 Announcement in 2022 issued by the Ministry of Finance, and the State Taxation Administration, and in order to support the development of small and micro enterprises and manufacturing industries, boost the confidence of market participants, stimulate the vitality of market participants, and strengthen the policy of value-added tax refund at the end of the period such as "manufacturing industry", Hefei Photovoltaic and Yan'an New Energy, subsidiaries of the Company, are required to expand the scope of the policy to fully refund newly-added credits in advanced manufacturing industries on a monthly basis to eligible manufacturing industries and other industries, and refund outstanding VAT credits to the manufacturing industries and other industries in lump sum. Eligible enterprises in manufacturing and other industries may apply to the competent tax authorities for refund of the newly-added credits from the tax return period in April 2022.

V. SEGMENT REPORTING

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

Revenue from geographical information

	For the year of 2022
The PRC (excluding Hong Kong)	2,467,849,634.27
Other countries or regions	2,427,833.38
	<hr/>
Total	<u>2,470,277,467.65</u>

Information about major customers

For the year of 2022, the Company had two customer which individually represented over 10% of the Company's total external sales.

The external sales to the customers during the years were as follows:

Customer	For the year of 2022	For the year of 2021 (restated)
Customer A	343,395,436.05	
Customer B	310,838,154.93	
Customer C		260,113,780.72
Customer D		213,001,740.22
	<hr/>	<hr/>
Total	<u>654,233,590.98</u>	<u>473,115,520.94</u>

VI. ACCOUNTS RECEIVABLE

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

Aging	31 December 2022	31 December 2021 (restated)
Within 1 year	587,927,374.95	329,089,264.04
Including: 0–6 months (inclusive)	583,071,990.02	326,346,459.06
7–12 months (inclusive)	4,855,384.93	2,742,804.98
1–2 years (inclusive)	5,022,914.04	8,453,629.51
2–3 years (inclusive)	8,453,629.51	7,078,153.00
Over 3 years	17,889,477.55	15,896,875.40
Subtotal	619,293,396.05	360,517,921.95
Less: provision for bad debts	19,415,691.64	18,155,808.58
Total	599,877,704.41	342,362,113.37

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

2. Accounts receivables disclosed according to provision for bad debts

Category	31 December 2022					31 December 2021 (restated)				
	Book balance		Allowance for bad debts			Book balance		Allowance for bad debts		
	Amount	Proportion (%)	Amount	Appropriation proportion (%)	Carrying amount	Amount	Proportion (%)	Amount	Appropriation proportion (%)	Carrying amount
Allowance for bad debts is made based on individual basis	519,032.00	0.08	519,032.00	100.00		519,032.00	0.14	519,032.00	100.00	
Allowance for bad debts is made on group basis	618,774,364.05	99.92	18,896,659.64	3.05	599,877,704.41	359,998,889.95	99.86	17,636,776.58	4.90	342,362,113.37
Including: By aging	604,423,047.49	97.60	18,896,659.64	3.13	585,526,387.85	345,979,410.68	95.97	17,636,776.58	5.10	328,342,634.10
Low credit risk portfolio	14,351,316.56	2.32			14,351,316.56	14,019,479.27	3.89			14,019,479.27
Total	619,293,396.05	100.00	19,415,691.64		599,877,704.41	360,517,921.95	100.00	18,155,808.58		342,362,113.37

Allowance for bad debts made on individual basis:

Name	31 December 2022			Reasons for making allowance
	Book balance	Allowance for bad debts	Appropriation proportion (%)	
Zhejiang Yuhui Sunshine Energy Co., Ltd.	<u>519,032.00</u>	<u>519,032.00</u>	100.00	Expected to be irrecoverable
Total	<u><u>519,032.00</u></u>	<u><u>519,032.00</u></u>	<u> </u>	

Allowance for bad debts made on group basis:

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

Name	31 December 2022		
	Accounts receivables	Allowance for bad debts	Appropriation proportion (%)
0–6 months (inclusive)	580,032,503.47		
7–12 months (inclusive)	2,829,483.34	28,294.84	1.00
1–2 years (inclusive)	911,024.83	273,307.45	30.00
2–3 years (inclusive)	4,109,957.00	2,054,978.50	50.00
Over 3 years	<u>16,540,078.85</u>	<u>16,540,078.85</u>	<u>100.00</u>
Total	<u><u>604,423,047.49</u></u>	<u><u>18,896,659.64</u></u>	<u> </u>

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

Name	31 December 2022		
	Accounts receivables	Allowance for bad debts	Accounts receivables (%)
Low credit risk portfolio	<u>14,351,316.56</u>		
Total	<u><u>14,351,316.56</u></u>	<u> </u>	<u> </u>

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

Category	31 December 2021 (restated)	Changes during the period		31 December 2022
		Provision	Recovered or reversed	
Recognized allowances for bad debts for single item	519,032.00			519,032.00
Receivables that are subject to provision for bad debts on credit risk characteristics	17,636,776.58	1,323,992.39	64,109.33	18,896,659.64
Including: By aging	17,636,776.58	1,323,992.39	64,109.33	18,896,659.64
Total	18,155,808.58	1,323,992.39	64,109.33	19,415,691.64

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

Name of unit	Accounts receivable	31 December 2022	
		Percentage of total accounts receivable (%)	Allowance for bad debt
Xianyang LONGi Solar Technology Co., Ltd. (咸陽隆基樂葉光伏科技有限公司)	161,273,087.04	26.04	
Hefei GCL System Integration New Energy Technology Co., Ltd. (合肥協鑫集新能源能科技 有限公司)	127,648,472.88	20.61	
Jinko Solar (Chuzhou) Co., Ltd. (晶科能源(滁州) 有限公司)	64,894,381.53	10.48	
Jinko Solar (Feidong) Co., Ltd. (晶科能源(肥東) 有限公司)	41,683,106.44	6.73	
LDK Solar High-Tech (Nanchang) Co., Ltd (賽維 LDK太陽能高科技(南昌)有限公司)	15,845,083.52	2.56	15,845,083.52
Total	411,344,131.41	66.42	15,845,083.52

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

Items	31 December 2022
Accounts receivable not overdue and not impaired	580,880,184.71
Accounts receivable overdue and not impaired	
Accounts receivable overdue and impaired	<u>38,413,211.34</u>
 Total	 <u><u>619,293,396.05</u></u>

As at 31 December 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).

VII. OTHER RECEIVABLES

Item	31 December 2022	31 December 2021 (restated)
Interests receivable		
Dividends receivable		
Other receivable	<u>17,541,930.31</u>	<u>35,599,357.48</u>
 Total	 <u><u>17,541,930.31</u></u>	 <u><u>35,599,357.48</u></u>

1. Other receivables

(1) Other receivables disclosed by aging

Aging	31 December 2022	31 December 2021 (restated)
Within 1 year	657,207.35	11,014,401.12
Including: 0–6 months (inclusive)	633,356.14	892,501.12
7–12 months (inclusive)	23,851.21	10,121,900.00
1–2 years (inclusive)	10,103,633.30	11,535,917.00
2–3 years (inclusive)	35,917.00	11,250,000.00
Over 3 years	6,750,131.16	1,802,014.46
Sub-total	17,546,888.81	35,602,332.58
Less: provision for bad debts	4,958.50	2,975.10
Total	17,541,930.31	35,599,357.48

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

Category	31 December 2022				31 December 2021 (restated)					
	balance		Allowance for bad debts		Book balance		Allowance for bad debts		Carrying amount	
	Book Amount	Proportion (%)	Amount	Appropriation proportion (%)	Amount	Proportion (%)	Amount	Appropriation proportion (%)		
Allowance for bad debts is made on group basis	17,546,888.81	100.00	4,958.50	0.03	17,541,930.31	35,602,332.58	100.00	2,975.10	0.01	35,599,357.48
Including: By aging	306,185.51	1.74	4,958.50	1.62	301,227.01	9,917.00	0.03	2,975.10	30.00	6,941.90
By deposits, margins and reserves	17,240,703.30	98.26			17,240,703.30	35,592,415.58	99.97			35,592,415.58
Total	17,546,888.81	100.00	4,958.50		17,541,930.31	35,602,332.58	100.00	2,975.10		35,599,357.48

Allowance for bad debts made on group basis:

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

Name	31 December 2022		
	Other receivable	Allowance for bad debts	Appropriation proportion (%)
0–6 months (inclusive)	296,268.51		
7–12 months (inclusive)			
1–2 years (inclusive)			
2–3 years (inclusive)	9,917.00	4,958.50	50.00
Over 3 years			
Total	<u>306,185.51</u>	<u>4,958.50</u>	<u></u>

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

Name	31 December 2022		
	Other receivable	Allowance for bad debts	Appropriation proportion (%)
By deposits, margins and reserves	<u>17,240,703.30</u>	<u></u>	<u></u>
Total	<u>17,240,703.30</u>	<u></u>	<u></u>

(3) Allowances for bad debts

Allowances for bad debts	Stage I ECL for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
31 December 2021 (restated)	2,975.10			2,975.10
Balance at the end of last year during the period				
– Transferred to Stage II				
– Transferred to Stage III				
– Transferred to Stage II				
– Transferred to Stage I				
Made in the period	1,983.40			1,983.40
Reversed in the period				
Charged off in the period				
Written off in the period				
Other changes				
31 December 2022	<u>4,958.50</u>	<u></u>	<u></u>	<u>4,958.50</u>

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
31 December 2021 (restated)	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				
– Transferred to Stage II				
– Transferred to Stage I				
Addition in the period	32,259,829.13			32,259,829.13
Derecognition in the period	50,315,272.90			50,315,272.90
Other changes				
31 December 2022	<u>17,546,888.81</u>	<u> </u>	<u> </u>	<u>17,546,888.81</u>

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

Category	31 December 2021 (restated)	Changes during the period			31 December 2022
		Provision	Recovered or reversed	Charged off or written off	
Allowance for bad debts made on group basis	<u>2,975.10</u>	<u>1,983.40</u>	<u> </u>	<u> </u>	<u>4,958.50</u>
Total	<u>2,975.10</u>	<u>1,983.40</u>	<u> </u>	<u> </u>	<u>4,958.50</u>

(5) Receivables by nature

Nature	31 December 2022	31 December 2021 (restated)
By deposits, margins and reserves	17,240,703.30	35,592,415.58
By trading receivables and other receivables	306,185.51	9,917.00
Total	17,546,888.81	35,602,332.58

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

Name of unit	Nature of payment	31 December 2022	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of allowance for bad debts
Xianyang City Qindu District State-owned Investment Company* (咸陽市秦都區 國有投資公司)	Deposits	10,000,000.00	1 to 2 years	56.99	
Yan'an Gas Co., Ltd.* (延安 燃氣有限責任公司)	Deposits	5,000,000.00	Over 3 years	28.50	
Hefei Xincheng State-owned Assets Management Co., Ltd.* (合肥鑫城國有資產 經營有限公司)	Deposits	335,250.00	Over one year	1.91	
Qinhuangdao Glass Industry Research and Design Institute Company Limited Co., Ltd. (秦皇島玻璃工業 研究設計院有限公司)	Deposits	50,000.00	Within 1 year	0.28	
Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd. (陝西彩虹工業智能科 技有限公司)	Deposits	15,750.00	Over 3 years	0.09	
Total		15,401,000.00		87.77	

VIII. OTHER INVESTMENT IN EQUITY INSTRUMENTS

1. Details of other investment in equity instruments

Items	31 December 2022	31 December 2021 (restated)
IRICO Display Devices Co., Ltd. (彩虹顯示器件股份有限公司)	146,455,286.22	241,262,089.86
Shaanxi IRICO Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公司)	<u>95,191,022.25</u>	<u>78,480,597.18</u>
Total	<u><u>241,646,308.47</u></u>	<u><u>319,742,687.04</u></u>

Note 1: There were 35,375,673 shares of IRICO Display Devices Co., Ltd. held by the Company as at 31 December 2022, and the stock price was RMB4.14 per share.

Note 2: There were 7.2953% shareholding of Shaanxi IRICO Electronics Glass Co., Ltd. by the Company as at 31 December 2022.

2. Details of investment in non-trading equity instruments

Items	Dividend income recognised in the year	Accumulated Gains	Accumulated Losses	Amount of transferred to retained earnings from other comprehensive income	Reasons for designating as financial assets at fair value through other comprehensive income	Reasons for transferring to retained earnings from other comprehensive income
IRICO Display Devices Co., Ltd.			500,580,304.90		Investment in equity instrument not held for trading purposes	
Shaanxi IRICO Electronics Glass Co., Ltd.			7,825,235.56		Investment in equity instrument not held for trading purposes	

IX. SHORT-TERM BORROWINGS

1. Categories of short-term borrowings

Item	31 December 2022	31 December 2021 (restated)
Credit loans	790,887,774.74	
Guaranteed loans	571,080,056.25	792,628,059.63
Mortgaged loans		150,181,041.67
Total	<u>1,361,967,830.99</u>	<u>942,809,101.30</u>

2. Explanation on classification of short-term borrowings

Guaranteed borrowings:

Lender	31 December 2022	Guarantor
China Construction Bank Corporation Hefei Chengdong Sub-branch (中國建設銀行股份有限公司合肥城東支行)	182,375,265.83	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Industrial Bank Co., Ltd. Hefei Shouchun Road Sub-branch (興業銀行股份有限公司合肥壽春路支行)	150,145,833.34	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Hefei Science and Technology Rural Commercial Bank Co., Ltd. Xinzhan Sub-branch (合肥科技農村商業銀行股份有限公司新站支行)	65,334,479.34	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)	47,041,777.78	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Bank of Chongqing Co., Ltd. Xi'an Qujiang New District Sub-branch (重慶銀行股份有限公司西安曲江新區支行)	40,050,111.11	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China CITIC Bank Corporation Limited Xianyang Branch (中信銀行股份有限公司咸陽分行)	30,036,483.34	IRICO Group Corporation Limited* (彩虹集團有限公司)
Huishang Bank Corporation Limited Hefei Technology Sub-branch (徽商銀行股份有限公司合肥科技支行)	20,023,833.33	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Guangfa Bank Co., Ltd. Hefei Feixi Sub-branch (廣發銀行股份有限公司合肥肥西支行)	20,021,388.89	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Bank of Communications Co., Ltd. Yan'an Branch (交通銀行股份有限公司延安分行)	16,050,883.29	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	<u>571,080,056.25</u>	

Note: The Guarantor is the Company, which guarantees its subsidiaries.

X. NOTES PAYABLE

Category	31 December 2022	31 December 2021 (restated)
Bank acceptance bills	789,306,348.19	719,078,281.00
Trade acceptance bills		10,000,000.00
Total	<u>789,306,348.19</u>	<u>729,078,281.00</u>

XI. ACCOUNTS PAYABLE

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

Item	31 December 2022	31 December 2021 (restated)
Within 1 year (inclusive)	645,817,586.15	341,698,475.23
1 to 2 years (inclusive)	17,364,432.78	151,085,797.90
2 to 3 years (inclusive)	22,806,298.90	16,255,242.66
Over 3 years	19,553,149.67	21,656,439.97
Total	<u>705,541,467.50</u>	<u>530,695,955.76</u>

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

2. Significant accounts payable aged over 1 year

Item	31 December 2022	Reasons for outstanding or carried forward
Xidian Baoji Electric Co., Ltd. (西電寶雞電氣有限公司)	3,510,000.00	Not settled
No. 9 Metallurgical Construction Co., Ltd. (九冶建設有限公司)	3,015,923.61	Not settled
Shaanxi Dinghong Industrial Co., Ltd. (陝西鼎宏實業有限公司)	2,780,951.37	Not settled
Xianyang Hongda Chemical Co., Ltd. (咸陽宏達化工有限公司)	1,717,967.25	Not settled
Zhenjiang Meijie Super Hard Materials Co., Ltd. (鎮江美杰超硬材料有限公司)	1,611,032.00	Not settled
Wuxi Tianfeng Environmental Protection Equipment Factory (無錫市天峰環保設備廠)	1,216,504.57	Not settled
Sichuan Deyang Jinghong Machinery Manufacturing Co., Ltd. (四川省德陽市旌宏機器製造有限公司)	1,024,564.10	Not settled
Total	<u><u>14,876,942.90</u></u>	

3. Accounts payable by nature

Item	31 December 2022	31 December 2021 (restated)
Payables for materials	320,689,120.46	275,353,087.29
Payables for equipment	293,566,868.14	181,033,723.02
Payables for transportation	41,541,640.41	43,870,059.54
Payables for construction	35,725,113.06	16,959,566.40
Payables for services	13,488,889.75	13,111,005.78
Others	529,835.68	368,513.73
Total	<u><u>705,541,467.50</u></u>	<u><u>530,695,955.76</u></u>

XII. OTHER PAYABLES

Item	31 December 2022	31 December 2021 (restated)
Interests payable		
Dividends payable		
Other payables	<u>86,520,207.50</u>	<u>67,381,715.92</u>
Total	<u><u>86,520,207.50</u></u>	<u><u>67,381,715.92</u></u>

1. Other payables

(1) Payables stated by nature

Item	31 December 2022	31 December 2021 (restated)
Loans from non-financial institutions and interest thereon	31,092,733.24	31,092,733.24
Property leasing fee	11,094,039.19	9,307,090.18
Retention money and deposits	27,715,454.84	6,874,689.52
Subsidies payable	7,525,000.00	4,725,000.00
Advances on behalf	6,371,266.65	3,211,997.65
Amounts due to related parties	1,259,314.14	3,505,814.14
Current accounts with related parties	54,608.88	10,391.64
Agency fees		3,757,914.19
Others	<u>1,407,790.56</u>	<u>4,896,085.36</u>
Total	<u><u>86,520,207.50</u></u>	<u><u>67,381,715.92</u></u>

(2) Other major payables aged more than one year

Item	31 December 2022	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)	<u>31,092,733.24</u>	Not settled
Total	<u><u>31,092,733.24</u></u>	

XIII. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Item	31 December 2022	31 December 2021 (restated)
Long-term loans due within one year	128,668,174.15	103,362,476.78
Lease liabilities due within one year	555,699.47	555,699.48
Long-term payables due within one year	62,256.94	101,273,739.51
Less: Amortised finance lease service payments due within one year		1,304,100.00
Total	<u>129,286,130.56</u>	<u>203,887,815.77</u>

Explanations on long-term borrowings due within one year:

Guaranteed borrowings:

Lender	31 December 2022	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)	76,517,672.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Everbright Bank Co., Ltd. Heifei Linqun Road Sub-branch (中國光大銀行股份有限公司合肥臨泉路支行)	18,420,700.00	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)	10,017,291.67	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)	7,051,890.48	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)	202,575.83	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Construction Bank Corporation Hefei Chengdong Sub-branch (中國建設銀行股份有限公司合肥城東支行)	71,657.23	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Shanghai Pudong Development Bank Co., Ltd. Shangrao Branch (上海浦東發展銀行股份有限公司上饒分行)	5,186.94	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	<u>112,286,974.15</u>	

- Note:*
- The remaining long-term loans due within one year of RMB16,381,200 are credit loans.
 - The Guarantor is the Company, which guarantees its subsidiaries.

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)	62,256.94	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	<u>62,256.94</u>	

XIV. OTHER CURRENT LIABILITIES

Item	31 December 2022	31 December 2021 (restated)
Bills endorsement	280,489,707.39	152,531,886.98
Pending VAT output	1,193,090.68	494,230.12
Total	<u>281,682,798.07</u>	<u>153,026,117.10</u>

XV. LONG-TERM BORROWINGS

Classification of long-term borrowings:

Item	31 December 2022	31 December 2021 (restated)
Guaranteed loans	630,359,539.56	472,400,000.00
Credit loans	328,000,000.00	
Total	<u>958,359,539.56</u>	<u>472,400,000.00</u>

Explanations on classification of long-term borrowings:

Guaranteed borrowings:

Lender	31 December 2022	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)	275,877,683.54	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)	225,000,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
China Construction Bank Corporation Hefei Chengdong Sub-branch (中國建設銀行股份有限公司合肥城東支行)	75,675,619.71	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)	38,286,236.31	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Shanghai Pudong Development Bank Co., Ltd. Shangrao Branch (上海浦東發展銀行股份有限公司上饒分行)	10,520,000.00	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)	5,000,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	<u>630,359,539.56</u>	

Note: The Guarantor is the Company, which guarantees its subsidiaries.

XVI. LONG-TERM PAYABLES

Item	31 December 2022	31 December 2021 (restated)
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>

1. Long-term payables

Item	31 December 2022	31 December 2021 (restated)
Borrowings	50,000,000.00	
Financing leasing expenses		13,653,568.04
Unrecognised financing expenses		<u>-187,975.99</u>
Total	<u><u>50,000,000.00</u></u>	<u><u>13,465,592.05</u></u>

Explanation on long-term payables:

Lender	2022.12.31	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><u>50,000,000.00</u></u>	

Note: The borrowing period of Shangrao Binjiang Investment Co., Ltd. is from 1 April 2022 to 31 March 2025 bearing a floating interest rate and as at 31 December 2022 the borrowing rate was 4.08%.

XVII. FINANCE COSTS

Item	2022	2021 (restated)
Interest expenses	82,033,768.20	69,107,769.77
Including: Interest expenses on lease liabilities	26,395.73	449,714.39
Less: Interest income	12,979,558.98	6,146,823.05
Exchange gains or losses	-434,304.31	-186,876.02
Others	3,427,920.14	6,662,472.52
Total	<u>72,047,825.05</u>	<u>69,436,543.22</u>

XVIII. INVESTMENT GAINS

Item	2022	2021 (restated)
Long-term equity investment gains measured under equity method	-629,919.54	-2,778,021.65
Bills discounted interest	-2,837,199.56	-7,589,811.30
Investment income from disposal of financial assets at fair value through profit and loss of the period	76,843.93	334,705.93
Investment gains from disposal of long-term equity investment	873,431.16	
Interest income from certificates of deposit	6,000,000.03	
Total	<u>3,483,156.02</u>	<u>-10,033,127.02</u>

XIX. EARNINGS PER SHARE

1. Basic earnings per share

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

Item	2022	2021 (restated)
Consolidated net profit attributable to holders of ordinary shares of the parent company	89,232,396.74	164,431,614.92
Weighted average number of ordinary shares in issue of the Company	176,322,070.00	133,185,670.00
Basic earnings per share	0.5061	1.2346
Including: Basic earnings per share relating to continuing operations	0.5061	1.2346
Basic earnings per share relating to discontinued operations		

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	2022	2021 (restated)
Consolidated net profit attributable to holders of ordinary shares of the parent company (diluted)	89,232,396.74	164,431,614.92
Weighted average number of ordinary shares in issue of the Company (diluted)	176,322,070.00	133,185,670.00
Diluted earnings per share	0.5061	1.2346
Including: Diluted earnings per share relating to continuing operations	0.5061	1.2346
Diluted earnings per share relating to discontinued operations		

XX. DIVIDEND

As at 31 December 2022, the Board did not declare any dividend.

RESULTS AND DIVIDEND

During the Reporting Period, the Group recorded operating revenue of RMB2,470.28 million, representing a year-on-year increase of RMB403.21 million or 19.51%. The Group recorded the total profits of RMB100.79 million, representing a year-on-year decrease of RMB86.92 million or 46.31%.

In light of the absence of accumulated surplus in 2022, the Board has resolved not to distribute any final dividend for the year ended 31 December 2022, which is subject to the approval by the shareholders of the Company at the 2022 annual general meeting to be held in 2023. Further details in relation to the closure of register of member for H shares will be announced by the Company after confirming the arrangement of such general meeting.

BUSINESS REVIEW

During the Reporting Period, the Group, relying on the advantages of the photovoltaic glass team in technology and regional resources, boosted the solar photovoltaic glass business to develop at a faster pace. Hefei Base and Yan'an Base maintained steady and healthy development; the first furnace of Shangrao Base was put into service; the three deep-processing production lines of Phase I of Xianyang Base reached the designed capacity, all of which indicated that the Group has reached a large business scale delivering positive benefits. In the meantime, as the Group increased R&D investments, adjusted the product structure and expanded the supply and marketing scale, the shipment of photovoltaic glass of the year recorded year-on-year growth of approximately 51%, with new products accounting for much greater proportions in the product portfolio. The operating revenue reached RMB2,470.28 million during the Reporting Period, and the total profit amounted to RMB100.79 million.

During the Reporting Period, the furnaces and related production lines of Hefei Base maintained stable and efficient operation, reported significant year-on-year increase in production and sales volume, and recorded remarkable achievements in digital and intelligent application, therefore being accredited as State-level Specialized and Sophisticated “Little Giant” Enterprises, “Champion of Specialised, Refined, Differentiated and Innovative Enterprises of Anhui Province” and “Anhui Digital Workshop”.

Adopting multiple measures including expanding capacity, improving efficiency and further developing product series, Yan'an Base recorded steady growth in shipment of the year, with thin and large-size photovoltaic glass products witnessing continuous improvement in market share. For the breakthrough progress in key equipment and technologies for thin photovoltaic glass of less than 2.0mm, the base was accredited as “National High-Tech Enterprise”.

Shangrao Base plans to build 10 furnaces and related deep-processing production lines for ultra-thin and high-transmissivity photovoltaic glass by three tranches of investment, with three 1,000t/d furnaces and related deep-processing production lines to be built in Phase I. During the Reporting Period, the first furnace of Phase I was put into service, following which, the construction was promoted comprehensively, with stronger efforts to build the other two furnaces and deep-processing production lines and the Phase II and Phase III.

Xianyang Base plans to build five deep-processing production lines for ultra-thin, double-film, high-transmissivity and large-size photovoltaic glass by two tranches of investment, with three deep-processing production lines for photovoltaic glass built in Phase I, which have all reached the designed capacity and offered stable supply to strategic customers. With the success in the commercialisation technology of 1.6mm ultra-thin and large-size photovoltaic glass and the development of new products, the base was accredited as “National High-Tech Enterprise”.

In the photovoltaic glass field, the Group has built eight core technology systems, developed the intelligent, high-stability and large-volume calendering machine for thin photovoltaic glass, employed intelligent facilities including the automatic visual inspection system and achieved the upgrading from manufacturing to intelligent manufacturing. Remaining customer oriented, the Group adjusted the product structure and witnessed rapid growth in production and sales volume of thin, large-size, double-glazed photovoltaic glass products. With the construction of digital supply and marketing platform and the adoption of centralised procurement sales, it maintained strong cooperation with major strategic customers and secured abundant orders throughout the year, manifesting notable strength as an industry leader.

FUTURE PROSPECTS

In the future, the Group will continue to focus on the scale development and strategic industrial deployment of photovoltaic glass under the backdrop of China ramping up efforts to accelerate carbon peak emissions and carbon neutrality, and will further consolidate the competitive advantage and leading position by greater breakthrough in development of key technologies, strengthened cost control, improved customer stickiness and expanded market share.

FINANCIAL REVIEW

1. Overall performance

(1) Operating revenue from principal business and profit

During the Reporting Period, the Group recorded operating revenue from its principal business of RMB2,436.95 million, representing a year-on-year increase of RMB388.47 million or 18.96%, which was mainly due to that the Group continued to cultivate the main business and gradually released new production capacity, resulting in year-on-year growth in sales revenue.

During the Reporting Period, the Group recorded total profit of RMB100.79 million, representing a year-on-year decrease of RMB86.92 million or 46.31%, which was mainly affected by market factors such as reduction in prices of solar photovoltaic glass products and rising raw material costs.

(2) Administrative expenses

During the Reporting Period, the Group's administrative expenses was RMB113.35 million (2021: RMB110.13 million), representing a year-on-year increase of RMB3.22 million or 2.92%, which was mainly due to the increase in administrative personnel remunerations.

(3) Finance costs

During the Reporting Period, the Group's finance costs included in profit and loss was RMB72.05 million (2021: RMB69.44 million), representing a year-on-year increase of RMB2.61 million or 3.76%, which was mainly due to that with the expansion of the scale of photovoltaic glass, working capital needs increased, resulting in an increase in borrowings.

(4) Selling expenses

During the Reporting Period, the Group's selling expenses was RMB4.98 million (2021: RMB7.14 million), representing a year-on-year decrease of RMB2.16 million or 30.21%, which was mainly due to the Company's enhanced control over expenses, which resulted in a year-on-year decrease in marketing staff salaries, travel expenses and hospitality expenses.

(5) Research and development expenses

During the Reporting Period, the Group's research and development expenses was RMB66.87 million (2021: RMB54.40 million), representing a year-on-year increase of RMB12.47 million or 22.92%, which was mainly due to the increase of RMB8.43 million in the research and development expenses of Xianyang Photovoltaic; the increase of RMB2.53 million in the research and development expenses of Hefei Photovoltaic.

2. Capital structure

As at 31 December 2022, the Group will continue to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure.

As at 31 December 2022, the total assets of the Group amounted to RMB6,378.24 million (31 December 2021: RMB5,120.26 million), including cash and bank balances of RMB592.48 million (31 December 2021: RMB702.10 million).

As at 31 December 2022, the total liabilities of the Group were RMB4,456.28 million (31 December 2021: RMB3,209.43 million), including bank borrowings and other borrowings of RMB2,494.16 million (31 December 2021: RMB1,629.41 million).

As at 31 December 2022, the total owners' equity of the Group was RMB1,921.97 million (31 December 2021: RMB1,910.83 million).

As at 31 December 2022, the gearing ratio of the Group was 69.87% (31 December 2021: 62.68%).

During the Reporting Period, the turnover days for accounts receivable of the Group was 71 days, representing a year-on-year increase of 17 days, which was mainly attributable to the new production capacity added in the second half of 2022 resulting in an increase in accounts receivable.

During the Reporting Period, the inventory turnover days of the Group was 52 days, representing a year-on-year increase of 5 days, which was mainly attributable to an increase in inventories of the finished product at the end of 2022 under the influence from the market.

3. 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 RMB0.43 million (2021: RMB0.19 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

4. Commitments

As at 31 December 2022, the capital expenditure commitments of the Group amounted to RMB2,768.44 million (31 December 2021: RMB3,296.49 million).

5. Contingent liabilities

As at 31 December 2022, the Group had no material contingent liability.

6. Pledged assets

As at 31 December 2022, the Group had no pledged assets. As at 31 December 2021, the bank borrowings and other borrowings of the Group amounted to approximately RMB264.60 million, which were secured by certain properties, plants, equipment, land use rights of the Group with an aggregate amount of approximately RMB879.55 million.

7. Pension Scheme

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

PURCHASE, REDEMPTION AND SALE OF SHARES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the year ended 31 December 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.

AUDIT COMMITTEE

The Company established an audit committee under the Board (the "**Audit Committee**"). The Board adopted all contents set out in Code Provision D.3.3 of the CG Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to auditing, risk management and internal control as well as financial reporting, including the audited consolidated financial statements for the year ended 31 December 2022.

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. During the Reporting Period, the aforesaid equity transfer has been completed, 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 material acquisition or disposal of subsidiaries or associates.

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 resolved and approved to authorise the management of the Company to commence the work related to the proposed initial public offering of A shares (the “**Proposed A Share Offering**”) to optimise 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 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 of the Company 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 of the Company 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.

The 56th review meeting of the Listing Committee for the ChiNext Market of the SZSE (the “**Listing Committee**”) in 2022 was convened on 25 August 2022. 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.

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

The 2022 annual report of the Company will be published on the Company's website at <http://www.irico.com.cn> and the website of the Stock Exchange in due course.

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

Shaanxi Province, the People's Republic of China
29 March 2023

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

* *For identification purpose only*