



IRICO

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

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

2020
INTERIM REPORT

* For identification purpose only

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I. RESULTS HIGHLIGHTS

1. Operation results

Unit: RMB0'000

Item	The first half of 2020	The first half of 2019
Operating revenue	100,339	108,715
Including: Principal operating revenue	98,502	104,646
Other operating revenue	1,837	4,069
Gross profit from main business	18,515	9,342
Total profit (loss is represented by "-")	3,542	3,051
Net profit (net loss is represented by "-")	3,345	3,161
Including: Net profit attributable to the shareholders of the parent company	4,155	4,514
Minority interests	-810	-1,352
Total comprehensive income (loss is represented by "-")	4,506	6,275
Including: Total comprehensive income attributable to the shareholders of the parent company	5,316	7,627
Total comprehensive income attributable to minority interests	-810	-1,352

2. Financial position

Unit: RMB0'000

Item	30 June 2020	31 December 2019
Current assets	199,230	173,125
Non-current assets	317,894	318,085
Current liabilities	424,158	418,668
Non-current liabilities	59,448	43,635
Equity attributable to the shareholders of the parent company	24,115	18,798
Minority interests	9,404	10,109

3. Performance indicators

Name of indicators	The first half of 2020	The first half of 2019
Gearing ratio	93.52%	94.40%
Current ratio	0.47	0.43
Trade receivable turnover (days)	88	124
Inventory turnover (days)	44	33

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Industry Analysis

1. *Solar photovoltaic power stations*

In the first half of 2020, in the face of the unexpected outbreak of COVID-19 and the complicated situation with significantly increased risks and challenges at home and abroad, photovoltaic enterprises of China have maintained a relatively stable development momentum with strong resilience. In the first half of the year, the installed capacity of photovoltaic power generation was 11.5GW, basically unchanged as compared to that of last year, of which 7.07GW and 4.43GW were attributable to concentrated photovoltaic power generation and distributed photovoltaic power generation, respectively.

Exported modules from January to May were 27.7GW, which was basically the same as that of the same period last year with a slight decline of 1.8%. Looking forward to the second half of the year, it is expected that under the double impetus of the subsidy bidding results and the newly-increased annual photovoltaic consumption capacity, the newly installed capacity of photovoltaic power generation in the second half of the year will be close to 30GW and will reach more than 40GW throughout the year.

From a global perspective, under the influence of the epidemic, Solar Power Europe (SPE) has re-predicted the annual photovoltaic installed capacity from 2020 to 2024: The global photovoltaic installed capacity in 2020 will be 112GW, representing a year-on-year decrease of 4%. 2020 will probably be the first time in the past 40 years that may witness a decline in global photovoltaic newly installed capacity. But in the long run, in the context of the vigorous promotion of new infrastructure by China, there will be more space for photovoltaic applications: 5G + photovoltaic; charging pile + photovoltaic; ultra-high voltage (UHV) + photovoltaic; big data center + photovoltaic. Under the energy transformation scenario, by 2030, renewable energy will account for 57% of global power generation, of which wind and photovoltaic power generation and installed capacity will be dominant, and one-third of global power will be generated from wind and solar energy. The future development of solar photovoltaic still has great potential.

2. *Solar photovoltaic glass*

In the first half of 2020, the overall actual supply of photovoltaic glass market remained relatively stable. The production of domestic module manufacturers has resumed, and the demand for photovoltaic glass has thus increased and rebounded in June with optimistic overall supply-demand relationship.

Looking forward to the second half of the year, on the basis of domestic demand growth, the majority of growth will still be in overseas markets. Of which, the photovoltaic market in Southeast Asia is the most optimistic, while the European, American and Middle Eastern markets are gradually recovering, which can promote the production of domestic modules and drive the demand for photovoltaic glass.

3. *New materials*

In respect of cathode materials for lithium batteries, in the first half of 2020, as the lithium battery industry was affected by the dual pressure of the subsidy decline and the epidemic, the overall industrial chain of lithium battery declined and the industrial concentration in the market increased, showing the concentration of leading enterprises and the increasing market competition pressure. It is estimated that in the second half of 2020, the sales of new energy vehicles will reach a low point, and will rebound in the future. The gradual replacement by new energy vehicles is a general trend, which will help drive the market demand for battery materials.

In respect of electronic pastes, in the first half of 2020, the overall demand in the global component market was poor, and the production of varistor products in domestic market was almost suspended for about two months due to the impact of the epidemic. As the epidemic was under control in China, various companies resumed their business one after another to handle their backlog of orders. The production of electronic pastes increased significantly attributable to the resumption of production in the component market. The traditional varistor market developed rapidly attributable to the development of national integrated circuits, and the spring up of 5G also brought about new market opportunities.

In respect of photoresists, the global photoresists market was basically monopolized by enterprises of United States, Japan and South Korea, accounting for more than 85% of the market share. The domestic photoresists market still relied heavily on import and the domestic photoresists manufacturers only accounted for a small proportion of the market share. Since 2020, the flat-panel display industry in China has developed rapidly and the panel enterprises of China represented by BOE, TCL CSOT, Tianma, etc. have grown up quickly, while the enterprises of Japan and South Korea have gradually withdrawn from the panel industry. Based on the aforementioned situations, together with the general trend of material localization in the entire industry chain, the scale and the localization rate of the LCD photoresists market in China are expected to continue to increase.

(II) Business Review

1. *Operation summary*

During the reporting period, affected by the COVID-19, the Group promptly launched the “dual-line battle” to prevent and control the epidemic and stabilize the production and operation, and the main businesses of solar photovoltaic glass and electronic functional materials maintained a steady development trend; at the same time, the Group firmly grasped the opportunity for the development of new models and new industry concerning grid parity of photovoltaic power station, new materials and new energy. Based on the industrial planning, the Group adjusted the industrial structure, strengthened the technological innovation, accelerated the development of new products, and sped up the intelligentization and the digital transformation and upgrading. The Group’s production and sales of 2.0mm – dominated thin photovoltaic glass increased significantly. The business of the Group has entered the fast lane of high-quality development.

2. **Business progress**

(1) *Solar photovoltaic business*

- Solar photovoltaic glass

During the reporting period, as the worldwide largest oxygen-fuel combustion photovoltaic glass production base, Hefei Photovoltaic gave full play to the effect of super-large kilns and large-scale production with the improvement of quality and efficiency in all-round, which has laid a solid foundation for the development of the Group. Besides, the “5M cost reduction and efficiency improvement project” achieved remarkable results. In addition, the accelerated construction of the phase III production lines in the Hefei base has further strengthened the Group’s top three position in the world in terms of photovoltaic glass capacity.

The photovoltaic glass base in Yan’an, which has the lowest melting consumption per unit in the world and owns world-class technology in furnace design and other technologies, was successfully put into production and has achieved mass sales. The product performance met the first-class component packaging requirements in domestic, marking the world’s largest oxygen-fuel combustion photovoltaic glass furnace project successful. At the same time, the Group accelerated the pace of intelligent manufacturing, and further realized the integrated data control of the entire line, and the integration, intelligentization, informationization and continuous operation of the entire process of the production lines.

The Group continued to take the market as the guide, coordinated new product certification and mass production and sales, and promoted the research and development and technical support for new technologies and new products of thin, large-size, double-sided coating photovoltaic glass. A breakthrough has been made in the industrialization of thin photovoltaic glass. At present, thin products have accounted for about 20% of the Company's photovoltaic glass shipments.

The Group and JA Solar Technology Co., Ltd. (晶澳太陽能科技股份有限公司) (“**JA Technology**”) signed an agreement for the sales of photovoltaic glass products and services with an estimated amount of approximately RMB2.1 billion (tax inclusive). The signing of this strategic cooperation agreement has consolidated the relationship between the Group and the core major customers and the industry position of the Group, which have effectively guaranteed the stability of the Group's long-term operating performance.

- Solar photovoltaic modules

During the reporting period, Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) (“**IRICO Yongneng**”) has focused on the advanced technologies and market development needs of the photovoltaic industry, quickly introduced half-slice, grid modules and other dominant mainstream technologies, strengthened strategic collaboration, continued to increase the expansion of overseas markets, attached equal importance to the external growth and internal development, and further expanded the Group's scale efficiency and competitive strength.

- Solar photovoltaic power stations

During the reporting period, the Group's solar photovoltaic power stations in Nanjing, Hefei, Liqun and Changwu were in stable operation, with a year-on-year increase of 5.5% of actual power generation. By grasping the important opportunity period for grid parity of photovoltaic power generation in 2020 and relying on the advantages of electronic platforms in China, the Group carried out project research and business negotiation in various cities, such as Zhuhai and Dongguan, which has laid a solid foundation for market development.

In terms of scientific and technological innovation, the Group actively prepared to carry out industry-university-institute exchanges and cooperation with Northwestern Polytechnical University and other institutions to give full play to their respective advantages, so as to continuously achieve the results of technical cooperation.

- Quartz sand business

During the reporting period, the Group continued to strengthen measures to speed up the construction progress of Hanzhong Jiarunze quartz sand mine project, which has now entered the final stage. At the same time, the Group made every effort to increase the production capacity of quartz sand processing lines to ensure a stable supply to the photovoltaic glass base of the Group.

(2) *New materials business*

During the reporting period, the Group focused on the development of electronic functional materials, continued to increase investment in technology research and development and industrialization, and prepared to build provincial-level enterprise technology centers. The operating income of the new materials business increased by 44% year-on-year.

In terms of photoresist, by seizing the opportunity of Japan and South Korea's exit from the panel industry and relying on the advanced manufacturing technology of Merck KGaA in Germany, based on the successful experience of liquid crystal display panel of China Electronics Corporation, the Group further expanded the industry scale, which enabled the output in the first half of the year doubled year-on-year, therefore continuing to promote the integration development of the industrial chain of liquid crystal display panel in China.

In terms of lithium battery cathode materials, the Group completed the research and development of traditional NCM ternary cathode monocrystal technology and continued the market development; at the same time, the Group closely followed the market demand and vigorously developed high-performance cobalt-free cathode materials for lithium battery.

In terms of electronic paste, by relying on the development opportunities of national integrated circuits and 5G communications, the Group accelerated the production and operation of electronic paste projects, actively built high-end electronic paste industrial park, and formed a new profit growth point for the Group.

In the future, the Group will take the opportunity of the comprehensive grid parity of photovoltaic power stations to vigorously promote the layout of the photovoltaic glass industry, continue to increase the Company's market share, and strive to become an internationally renowned green energy service provider and a world-class supplier of new materials.

(III) Financial Review

1. Overall performance

During the reporting period, the Group recorded operating revenue of RMB1,003.39 million, representing a year-on-year decrease of RMB83.75 million or 7.7%; total profit of RMB35.42 million, representing a year-on-year increase of RMB4.90 million or 16.06%.

2. Business results

(1) Unaudited profit and loss

Unit: RMB0'000

Item	The first half of 2020	The first half of 2019
Operating revenue	100,339	108,715
Including: Principal operating revenue	98,502	104,646
Other operating revenue	1,837	4,069
Operating costs	81,284	98,742
Including: Principal operating costs	79,987	95,304
Other operating costs	1,297	3,438
Operating gross profit	19,055	9,973
Taxes and surcharges	592	543
Selling expenses	3,587	3,311
Administrative expenses	6,592	5,858
Research and development expenses	3,071	2,302
Finance costs	4,916	5,239
Impairment losses on assets (loss is represented by "-")	0	0
Credit impairment losses (loss is represented by "-")	-90	-138
Other income	2,345	10,573
Investment income (loss is represented by "-")	-863	-99
Gains from changes in fair value (loss is represented by "-")	-13	4
Gains from disposal of assets (loss is represented by "-")	917	0
Non-operating income	948	3
Non-operating expenses	1	12
Total profit (loss is represented by "-")	3,542	3,051
Income tax	197	-110
Net profit (net loss is represented by "-")	3,345	3,161
Including: Net profit attributable to the shareholders of the parent company	4,155	4,514
Minority interests	-810	-1,352

(2) *Turnover*

Turnover by product

Unit: RMB0'000

Item	The first half of 2020	The first half of 2019
Operating revenue	100,339	108,715
Including: Solar photovoltaic business	69,562	84,417
New materials business	28,940	20,152
Others	1,837	4,145

3. Change over the corresponding period of last year and reasons(1) *Operating revenue from principal business and profit*

During the reporting period, the Group recorded operating revenue from its principal business of RMB985.02 million, representing a year-on-year decrease of RMB61.44 million or 5.87%, which mainly comprised revenue from solar photovoltaic business of RMB695.62 million, representing a year-on-year decrease of RMB148.55 million; revenue from new materials business of RMB289.40 million, representing a year-on-year increase of RMB87.88 million; and revenue from trading and other businesses of RMB0, representing a year-on-year decrease of RMB0.76 million.

During the reporting period, the Group recorded total profit of RMB35.42 million, representing a year-on-year increase of RMB4.90 million or 16.06%, which was mainly due to the increased price of photovoltaic glass and the improvement in quality and efficiency by the Company.

(2) *Administrative expenses*

During the reporting period, the Group's administrative expenses was RMB65.92 million (the first half of 2019: RMB58.58 million), representing a year-on-year increase of RMB7.34 million or 12.53%, which was mainly due to the increase in repair costs and insurance premiums.

(3) *Finance costs*

During the reporting period, the Group's finance costs included in profit and loss was RMB49.16 million (the first half of 2019: RMB52.39 million), representing a year-on-year decrease of RMB3.23 million or 6.17%.

(4) *Selling expenses*

During the reporting period, the Group's selling expenses was RMB35.87 million (the first half of 2019: RMB33.11 million), representing a year-on-year increase of RMB2.76 million or 8.35%.

(5) *Research and development expenses*

During the reporting period, the Group's research and development expenses was RMB30.71 million (the first half of 2019: RMB23.02 million), representing a year-on-year increase of RMB7.69 million or 33.38%, which was mainly due to the increase in research and development expenses of photovoltaic glass.

4. Cash flow

For the six months ended 30 June 2020, the Group's net cash inflow from operating activities amounted to RMB127.69 million (the first half of 2019: RMB198.25 million); net cash inflow from financing activities was RMB38.78 million (the first half of 2019: RMB-205.95 million); net cash outflow from investing activities was RMB9.84 million (the first half of 2019: RMB58.41 million). The Group's capital expenditures amounted to RMB26.60 million in total (the first half of 2019: RMB59.39 million).

5. Capital structure

As at 30 June 2020, the Group will continue to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure.

As at 30 June 2020, the total assets of the Group amounted to RMB5,171.24 million (31 December 2019: RMB4,912.09 million), including cash and bank balances of RMB734.14 million (31 December 2019: RMB405.45 million).

As at 30 June 2020, the total liabilities of the Group were RMB4,836.06 million (31 December 2019: RMB4,623.02 million), including bank and other borrowings of RMB2,818.61 million (31 December 2019: RMB2,677.14 million).

As at 30 June 2020, the total owners' equity of the Group was RMB335.18 million (31 December 2019: RMB289.07 million).

As at 30 June 2020, the gearing ratio of the Group was 93.52% (31 December 2019: 94.12%).

During the reporting period, the turnover days for accounts receivable of the Group was 88 days, representing a decrease of 36 days as compared with the corresponding period of last year. The change in turnover days for accounts receivable was mainly due to the enhanced management and control over the accounts receivable of the Company.

During the reporting period, the inventory turnover days of the Group was 44 days, representing an increase of 11 days as compared with the corresponding period of last year. The change in inventory turnover days was mainly due to the centralized procurement of raw materials in shortage to ensure production and the slight increase in finished goods due to the impact of COVID-19.

6. *Interim dividend*

As there was no accumulated surplus in the first half of 2020, the Board resolved not to distribute any interim dividend for the six months ended 30 June 2020.

7. Foreign exchange risk

The Group's income and most of its expenses were denominated in Renminbi and US dollar. For the six months ended 30 June 2020, the operating costs of the Group decreased by RMB0.69 million (the first half of 2019: RMB1.19 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

8. Commitments

As at 30 June 2020, the capital expenditure commitments of the Group amounted to RMB155.87 million (31 December 2019: RMB201.25 million).

9. Contingent liabilities

As at 30 June 2020, the Group had no material contingent liability.

10. Pledged assets

As at 30 June 2020, the bank and other borrowings of the Group amounted to approximately RMB934.37 million, which were secured by certain properties, plants, equipment, land use rights, investments in other equity instruments and bills receivable of the Group with an aggregate amount of approximately RMB1,170.10 million. As at 31 December 2019, the bank and other borrowings of the Group amounted to approximately RMB807.80 million, which were secured by certain properties, plants, equipment, land use rights, investments in other equity instruments and bills receivable of the Group with an aggregate amount of approximately RMB795.37 million.

III. OTHER INFORMATION

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

As of 30 June 2020, none of the directors (the “**Directors**”), supervisors (the “**Supervisors**”) or chief executives of the Company and their respective associates held an interest and short position in shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such directors, supervisors, chief executives or senior management personnel were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register of interests kept by the Company pursuant to section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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

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

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor or chief executive of the Company had an interest or short position in the Company's shares or underlying shares (as the case may be) as of 30 June 2020 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

China Electronics Corporation ("**CEC**"), through IRICO Group Company Limited* ("**IRICO Group**") and its subsidiary, Rui Bou Electronics (HK) Limited, had interests in 1,601,468,000 domestic shares (representing 100% of the domestic share capital) and 51,652,000 H shares of the Company, whereas HKSCC Nominees Limited had interests in 628,839,446 H shares of the Company (representing 99.68% of the H share capital).

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

Notes:

As of 30 June 2020, based on the information available to the Directors and so far as the Directors are aware, HKSCC Nominees Limited held 628,839,446 H shares, among which:

Baystar Capital II, L.P. had beneficial interests in 49,554,000 H shares of the Company (representing approximately 7.85% of the issued H shares of the Company). Each of Baystar Capital Management LLC, Mr. Derby Steven P., Mr. Goldfarb Lawrence and Mr. Lamar Steven M. was deemed to be interested in the same number of H shares of the Company by virtue of their direct or indirect control of Baystar Capital II, L.P.

J.P. Morgan Fleming Asset Management Holdings Inc. held 33,742,000 H shares of the Company (representing 5.35% of the issued H shares of the Company) in the capacity of investment manager and through its controlled corporations, of which 33,198,000 H shares of the Company were held by JF Asset Management Limited and 544,000 H shares of the Company were held by JF International Management Inc.

Pictet Asset Management Limited held direct interests in 27,488,000 H shares of the Company (representing approximately 4.36% of the share capital of H shares) on behalf of Pictet Funds Asian Equities (holding interests in 28,504,000 shares).

Harvest Fund Management Co., Ltd. held 59,506,000 H shares of the Company (representing 9.43% of the issued H shares of the Company) in the capacity of investment manager, China Credit Trust Co., Ltd. was deemed to be interested in the same number of H shares of the Company by virtue of its direct control of Harvest Fund Management Co., Ltd.

(III) **Audit Committee**

The Company established an audit committee under the Board (the “**Audit Committee**”). The Board adopted all contents set out in code provision C.3.3 of the Corporate Governance Code (the “**CG Code**”) as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to auditing, risk management and internal controls as well as financial reporting, including the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2020.

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

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

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

(V) Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the CG Code contained in Appendix 14 of the Listing Rules. During the six months ended 30 June 2020, the Company has complied with the Code Provisions of the CG Code.

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

For the six months ended 30 June 2020, the Company has adopted a set of model code for securities transactions by Directors and Supervisors of the Company which is no less strict than the required standard set out in the Model Code. Having made specific enquiry in the reporting period, the Company has confirmed that all Directors and Supervisors have complied with the requirements set out in the Model Code.

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

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

(VIII) Employees

As at 30 June 2020, the Group had a total of 2,045 in-service employees, of whom, approximately 10.5% were management and administrative personnel, 9.4% were technical personnel, 1.6% were financial and audit personnel, 1.6% were sales and marketing personnel and 76.9% were production workers.

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

* Excluding service dispatch workers

(IX) Public Float

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

(X) Material Acquisition and Disposal

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

(XI) Other Matters

1. *Changes in information of directors and supervisors*

On 20 January 2020, Mr. Tong Xiaofei was appointed as an executive director of the Company at the extraordinary general meeting of the Company. On 13 March 2020, Mr. Ding Wenhui applied for resignation as a shareholder supervisor and the chairman of the supervisory committee of the Company due to other work arrangements and the resignation shall take effect upon the approval of the appointment of a new shareholder supervisor at the general meeting of the Company. On 10 June 2020, Mr. Chen Xiaoning was appointed as a shareholder supervisor at the 2019 annual general meeting of the Company. At the 2020 second meeting of the fourth session of the supervisory committee held on the same date, Mr. Chen Xiaoning was elected as the chairman of the supervisory committee of the Company. For details, please refer to the announcements of the Company dated 20 January 2020, 13 March 2020 and 10 June 2020, respectively.

2. *Proposed issue of new H shares under specific mandate; connected transaction relating to proposed subscription of new H shares by a connected person; and proposed subscription of new H shares by independent third parties*

On 24 July 2017, the Board approved the proposed H share issue (including the proposed subscription by each of Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) (“**Zhongdian IRICO**”) and Yan’an Dingyuan Investment Co., Ltd.* (延安市鼎源投資有限責任公司) (“**Yan’an Dingyuan**”) under a specific mandate, pursuant to which the Company shall issue not more than 2 billion new H shares to not more than 10 target subscribers (including Zhongdian IRICO and Yan’an Dingyuan) and therefore the aggregate nominal value of the H shares to be issued shall not exceed RMB2 billion. The gross proceeds to be raised from the proposed H share issue shall not exceed RMB2 billion.

On 1 February 2018, the Board approved the resolution regarding the adjustments to the proposed H share issue. The number of new H shares to be issued by the Company under the proposed H share issue would be adjusted to not more than 2.3 billion new H shares as compared to the previous number of not more than 2 billion new H shares. The amount of gross proceeds to be raised from the proposed H share issue upon adjustment was expected to be not more than RMB2.3 billion. Taking into account the fact that the reporting work in respect of the proposed H share issue has been affected by the original power station projects due to their complex examination and approval procedures, the proceeds to be raised from the proposed H share issue will no longer be used in Shenmu-Caijing 50MWp Grid-connected Photovoltaic Power Station Project and Yangjiang 50MWp Surface Power Station Project as disclosed in the announcement of the Company dated 24 July 2017, but will be used in IRICO Yongneng 2GW Photovoltaic Modules Project instead.

As part of the proposed H share issue, the Company entered into the subscription agreements with each of Zhongdian IRICO and Yan'an Dingyuan on 24 July 2017. Pursuant to these subscription agreements, each of Zhongdian IRICO and Yan'an Dingyuan conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 900 million and 300 million new H shares at a consideration of RMB900 million and RMB300 million, respectively. The proposed subscription by Zhongdian IRICO constituted a connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. On 16 October 2017, the Company entered into the subscription agreement with Zhangjiagang Yuefeng Jinchuang Investment Co., Ltd.* (張家港市悅豐金創投資有限公司) ("**Zhangjiagang Investment**"). Pursuant to such agreement, Zhangjiagang Investment conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 500 million new H shares at a consideration of RMB500 million. On 18 April 2018, the Company entered into the subscription agreement with Hefei Xincheng State-owned Assets Management Co., Ltd.* (合肥鑫城國有資產經營有限公司) ("**Hefei Xincheng**"). Pursuant to such agreement, Hefei Xincheng conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 200 million new H shares at a consideration of RMB200 million.

On 10 December 2018, the Company received the Approval of the Non-public Issue of H Shares by IRICO Group New Energy Company Limited (Guo Zi Chan Quan [2018] No. 880) (《關於彩虹集團新能源股份有限公司非公開發行H股股份有關問題的批覆》(國資產權[2018]880號)) issued by the State-owned Assets Supervision and Administration Commission (“**SASAC**”), pursuant to which the SASAC approved in principle the overall plan of the Company on its non-public issue of no more than 2.3 billion new H shares.

On 23 January 2019, the resolutions in relation to the proposed H share issue under a specific mandate was approved at the extraordinary general meeting and the H share class meeting, respectively, by the shareholders or the holders of H shares (as the case may be); the resolutions in relation to the proposed subscription by Zhongdian IRICO was approved at the extraordinary general meeting by the independent shareholders.

On 6 June 2019, the Company received the Approval of the Issue of Overseas Listed Foreign Shares by IRICO Group New Energy Company Limited (Zheng Jian Xu Ke [2019] No. 965) (《關於核准彩虹集團新能源股份有限公司發行境外上市外資股的批覆》(證監許可[2019]965號)) issued by China Securities Regulatory Commission (“**CSRC**”), pursuant to which CSRC has approved the issue of not more than 2,300,000,000 new H shares by the Company. All such shares are ordinary shares with a par value of RMB1.00 each.

As the Company still needs time to approach and negotiate with other potential investors and deal with the administrative matters concerning the implementation of the proposed H share issue, in order to ensure the smooth implementation of the proposed H share issue, the Company held the extraordinary general meeting and the H share class meeting on 20 January 2020 to consider and approve the extension of validity period of resolution in respect of the proposed H share issue and related matters, including the extension of validity period of the authorisation to the Board to deal with matters relating to the proposed H share issue. The above validity period shall be extended for a period of 12 months from the date on which the resolution was approved.

For details, please refer to the announcements of the Company dated 24 July 2017, 16 October 2017, 1 February 2018, 18 April 2018, 6 December 2018, 10 December 2018, 23 January 2019, 6 June 2019, 6 December 2019 and 20 January 2020, as well as the circulars of the Company dated 31 December 2018 and 31 December 2019.

IV. CORPORATE PROFILE

Executive Directors

Si Yuncong *Chairman*

Tong Xiaofei *Appointed as an executive director on 20 January 2020*

Non-executive Directors

Fan Laiying

Ni Huadong

Independent Non-executive Directors

Feng Bing

Wang Jialu

Wang Zhicheng

Audit Committee

Wang Zhicheng

Fan Laiying

Feng Bing

Wang Jialu

Chief Financial Officer

Huang Weihong

Secretary to the Board

Ni Huadong

Company Secretary

Chu Xiaohang

Authorized Representatives

Si Yuncong *Ceased to be an authorized representative on 20 January 2020*

Tong Xiaofei *Appointed as an authorized representative on 20 January 2020*

Ni Huadong

Legal Address in the PRC

No. 1 Caihong Road, Xianyang, Shaanxi Province,
The People's Republic of China
Postal code: 712021

Place of Business in Hong Kong

Units 1607–8, 16/F, Citicorp Centre,
18 Whitfield Road, Causeway Bay,
Hong Kong

Company Website

www.irico.com.cn

Legal Adviser

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

Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP,
a Non-Hong Kong Accounting Firm accredited
by the Stock Exchange
17–20/F, Block A, China Overseas International Center,
Building No. 7, Court No. 5, An Ding Road,
Chaoyang District, Beijing

Registrar of H Shares in Hong Kong

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

Investor and Media Relations

Wonderful Sky Financial Group Limited
9/F, The Center,
No. 99 Queen's Road Central,
Hong Kong

INDEPENDENT REVIEW REPORT

Xin Kuai Shi Bao Zi [2020] No.ZG10710

TO THE SHAREHOLDERS OF IRICO GROUP NEW ENERGY COMPANY LIMITED,

We have reviewed the financial statements of IRICO Group New Energy Company Limited (the “**Company**”), which comprise the consolidated balance sheet of the Company as at 30 June 2020, the consolidated income statement of the Company from January to June 2020, the consolidated statement of cash flows of the Company, and the consolidated statement of changes in equity of the Company as well as the relevant notes to the financial statements. The management of the Company is responsible for the preparation of the financial statements. Our responsibility is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with Standard on Review Engagements for CPAs of China No. 2101 – Engagements to Review Financial Statements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is substantially less in scope than an audit conducted and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express any audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises, and cannot present fairly, in all material respects, the Company’s financial positions, the operating performance and cash flows.

We draw your attention to Note II. (II) to the financial statements. The Company recorded net current liabilities of RMB2,249,280,800 as at 30 June 2020, which indicates that there are significant uncertainties over the ability of the Company to continue as a going concern. Such matters will not affect the audit opinions issued.

BDO China Shu Lun Pan Certified
Public Accountants LLP

Chinese Certified Public Accountant:
Xu Peimei
(Engagement partner)

Chinese Certified Public Accountant:
Gu Xin

Shanghai • China

20 July 2020

CONSOLIDATED BALANCE SHEET*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Assets	<i>Note V</i>	Closing balance	Balance at the end of last year
Current Assets:			
Cash at bank and on hand	(I)	734,143,378.40	405,448,222.14
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets	(II)	357,484.18	2,863,047.11
Derivative financial assets			
Bills receivable	(III)	2,659,478.41	1,990,378.52
Accounts receivable	(IV)	430,653,327.00	449,019,198.76
Receivables financing	(V)	342,073,456.46	455,599,031.06
Prepayments	(VI)	23,240,531.66	40,999,068.57
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Other receivables	(VII)	159,998,566.92	142,070,012.04
Financial assets acquired for resale			
Inventories	(VIII)	222,658,720.97	154,730,841.63
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	(IX)	76,512,039.34	78,529,164.23
Total current assets		1,992,296,983.34	1,731,248,964.06

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Assets	<i>Note V</i>	Closing balance	Balance at the end of last year
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	(X)	194,607,946.39	194,360,686.48
Other investments in equity instruments	(XI)	263,507,785.08	251,344,922.06
Other non-current financial assets			
Investment properties			
Fixed assets	(XII)	1,565,023,378.49	1,622,125,907.01
Construction in progress	(XIII)	820,233,059.56	791,768,042.42
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(XIV)	13,070,332.20	14,883,147.32
Intangible assets	(XV)	263,520,935.90	242,468,802.24
Development expenditures	(XVI)	12,567,318.86	24,915,390.59
Goodwill	(XVII)	36,553,211.37	36,553,211.37
Long-term deferred expenses	(XVIII)	3,644,197.20	857,353.95
Deferred tax assets	(XIX)	1,693,537.19	1,568,220.47
Other non-current assets	(XX)	4,521,892.00	
Total non-current assets		<u>3,178,943,594.24</u>	<u>3,180,845,683.91</u>
Total assets		<u>5,171,240,577.58</u>	<u>4,912,094,647.97</u>

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

*Legal representative of
the enterprise:*

*Person in charge of
accounting:*

*Head of accounting
department:*

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note V</i>	Closing balance	Balance at the end of last year
Current liabilities:			
Short-term borrowings	(XXI)	710,868,324.87	584,392,230.44
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables	(XXII)	782,664,757.74	652,957,552.71
Accounts payables	(XXIII)	746,192,873.45	760,375,514.52
Receipts in advance			
Contract liabilities	(XXIV)	38,165,597.72	45,545,512.30
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	(XXV)	11,529,196.41	16,983,477.31
Taxes payable	(XXVI)	11,952,173.09	12,578,792.19
Other payables	(XXVII)	1,388,432,433.60	1,574,136,220.28
Handling fee and commission payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	(XXVIII)	546,125,556.98	533,033,644.18
Other current liabilities	(XXIX)	5,646,868.33	6,675,591.27
Total current liabilities		<u>4,241,577,782.19</u>	<u>4,186,678,535.20</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note V</i>	Closing balance	Balance at the end of last year
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	(XXX)	287,302,750.00	132,321,800.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	(XXXI)	8,800,224.48	10,661,506.91
Long-term payables	(XXXII)	220,658,352.73	213,076,889.47
Long-term employee benefits payable	(XXXIII)	7,961,606.19	9,537,743.87
Estimated liabilities			
Deferred income	(XXXIV)	69,127,440.85	70,110,797.81
Deferred tax liabilities	(XIX)	628,765.35	636,361.01
Other non-current liabilities			
		<hr/>	<hr/>
Total non-current liabilities		<u>594,479,139.60</u>	<u>436,345,099.07</u>
Total Liabilities		<u>4,836,056,921.79</u>	<u>4,623,023,634.27</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities and owners' equity	<i>Note V</i>	Closing balance	Balance at the end of last year
Equity attributable to the owners:			
Share capital	(XXXV)	2,232,349,400.00	2,232,349,400.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	(XXXVI)	943,531,444.10	943,531,444.10
Less: Treasury shares			
Other comprehensive income	(XXXVII)	-219,869,959.05	-231,481,998.58
Special reserve			
Surplus reserve	(XXXVIII)	22,477,267.06	22,477,267.06
General risk reserve			
Undistributed profit	(XXXIX)	-2,737,340,636.05	-2,778,892,693.43
Total equity attributable to the owner's of the Company		<u>241,147,516.06</u>	<u>187,983,419.15</u>
Minority interests		<u>94,036,139.73</u>	<u>101,087,594.55</u>
Total equity attributable to the owners		<u>335,183,655.79</u>	<u>289,071,013.70</u>
Total liabilities and equity attributable to the owners		<u>5,171,240,577.58</u>	<u>4,912,094,647.97</u>

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

*Legal representative of
the enterprise:*

*Person in charge of
accounting:*

*Head of accounting
department:*

CONSOLIDATED INCOME STATEMENT*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
I. Total operating revenue		1,003,393,282.97	1,087,146,736.10
Including: Operating revenue	(XL)	1,003,393,282.97	1,087,146,736.10
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		1,000,412,769.20	1,159,941,413.47
Including: Operating costs	(XL)	812,839,409.50	987,418,284.27
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	(XLI)	5,920,137.82	5,428,494.64
Selling expenses	(XLII)	35,870,608.77	33,107,166.69
Administrative expenses	(XLIII)	65,916,608.71	58,575,618.26
Research and development expenses	(XLIV)	30,709,626.99	23,024,159.76
Finance costs	(XLV)	49,156,377.41	52,387,689.85
Including: Interest expense	(XLV)	45,629,079.90	44,795,136.31
Interest income	(XLV)	1,672,424.92	1,182,048.30

CONSOLIDATED INCOME STATEMENT (CONTINUED)*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
Add: Other income	(XLVI)	23,446,082.11	105,731,436.00
Investment income (loss is represented by "-")	(XLVII)	-8,627,315.28	-990,532.79
Including: Gains from investment in associates and joint ventures	(XLVII)	247,259.91	559,226.09
Income from derecognition of financial asset at the amortized cost	(XLVII)	-6,067,443.94	
Gains from foreign exchange (loss is represented by "-")			
Gains from net exposure hedges (loss is represented by "-")			
Gains from changes in fair value (loss is represented by "-")	(XLVIII)	-134,778.28	39,390.82
Credit impairment losses (loss is represented by "-")	(XLIX)	-895,030.34	-1,375,283.46
Impairment losses on assets (loss is represented by "-")			
Gains from disposal of assets (loss is represented by "-")	(L)	9,168,379.05	
III. Operating profit (loss is represented by "-")		25,937,851.03	30,610,333.20
Add: Non-operating income	(LI)	9,484,614.60	28,787.30
Less: Non-operating expenses	(LII)	6,199.28	124,742.12
IV. Total profit (total loss is represented by "-")		35,416,266.35	30,514,378.38
Less: Income tax expenses	(LIII)	1,965,663.79	-1,100,415.00

CONSOLIDATED INCOME STATEMENT (CONTINUED)*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
V. Net profit (net loss is represented by “-”)		33,450,602.56	31,614,793.38
(I) Classified by continuity of operations			
1. Net profit from continuing operations (net loss is represented by “-”)		33,450,602.56	31,614,793.38
2. Net profit from discontinued operations (net loss is represented by “-”)			
(II) Classified by ownership of equity			
1. Net profit attributable to the shareholders of the Company (net loss is represented by “-”)		41,552,057.38	45,137,061.38
2. Minority interests (net loss is represented by “-”)		-8,101,454.82	-13,522,268.00
VI. Other comprehensive income, net of tax	(XXXVII)	11,612,039.53	31,130,592.24
Other comprehensive income (net of tax) attributable to the owners of the Company	(XXXVII)	11,612,039.53	31,130,592.24
(I) Other comprehensive income that cannot be reclassified to profit or loss	(XXXVII)	12,162,863.02	31,130,592.24
1. Re-measurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments	(XXXVII)	12,162,863.02	31,130,592.24
4. Change in fair value of enterprise’s own credit risk			

CONSOLIDATED INCOME STATEMENT (CONTINUED)*As at 30 June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
(II) Other comprehensive income that will be reclassified to profit or loss	(XXXVII)	-550,823.49	
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investment			
3. The amount of financial assets reclassified into other comprehensive income			
4. Other debt investment credit impairment provision			
5. Cash flow hedging reserve			
6. Exchange differences from translation of foreign currency financial statements	(XXXVII)	-550,823.49	
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			
VII. Total comprehensive income		45,062,642.09	62,745,385.62
Total comprehensive income attributable to the owners of the Company		53,164,096.91	76,267,653.62
Total comprehensive income attributable to minority shareholders		-8,101,454.82	-13,522,268.00
VIII. Earnings per share:			
(I) Basic earnings per share <i>(RMB/share)</i>	(LIV)	0.0186	0.0202
(II) Diluted earnings per share <i>(RMB/share)</i>	(LIV)	0.0186	0.0202

Business combinations under common control for the period, net profit recorded by the acquiree before the combination amounts to RMB_____, net profit recorded by the acquiree in the previous period amounted to RMB_____. The accompanying notes to the financial statements are constituent parts of the financial statements.

*Legal representative of
the enterprise:*

*Person in charge of
accounting:*

*Head of accounting
department:*

CONSOLIDATED STATEMENT OF CASH FLOWS*January – June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		1,016,980,212.00	659,925,511.05
Net increase in customer deposit and interbank deposit			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Cash received from original insurance contract premium			
Net cash received from reinsurance			
Net increase in policy-holder deposit and investment			
Cash received for interest, handling charges and commission			
Net increase in placements from banks and other financial institutions			
Net increase in repurchase business funds			
Net cash received from brokerage for dealing securities			
Receipts of tax refunds		12,930,362.14	19,917,537.05
Cash received relating to other operating activities	(LVI)	178,087,563.78	595,384,308.49
Sub-total of cash inflows from operating activities		1,207,998,137.92	1,275,227,356.59
Cash paid for purchasing goods and receiving services		789,187,473.04	495,736,712.47
Net increase in loans and advances to customers			
Net increase in central bank deposit and interbank deposit			
Cash paid for insurance indemnities of original insurance contracts			

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*January – June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
Net increase in placements with banks and other financial institutions			
Cash paid for interest, handling charges and commission			
Cash paid for policy bonus			
Cash paid to and for employees		86,412,701.35	103,687,295.34
Cash paid for taxes and surcharges		11,828,978.99	12,572,911.75
Cash paid relating to other operating activities	(LVI)	192,879,921.99	464,985,158.39
Sub-total of cash outflows from operating activities		1,080,309,075.37	1,076,982,077.95
Net cash flows from operating activities		127,689,062.55	198,245,278.64
II. Cash flows from investing activities			
Cash received from disposal of investments		2,370,000.00	
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,908,897.85	
Net cash received from disposal of subsidiaries and other business entities			
Cash received from other investing activities	(LVI)	696,420.68	1,334,699.71
Sub-total of cash inflows from investing activities		16,975,318.53	1,334,699.71

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*January – June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Item	Note V	Amount for the period	Amount for the previous period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		26,597,472.32	59,390,546.19
Cash paid for investment			
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business entities			
Cash paid relating to other investing activities	(LVI)	219,302.00	353,152.27
Sub-total of cash outflows from investing activities		26,816,774.32	59,743,698.46
Net cash flows from investing activities		-9,841,455.79	-58,408,998.75
III. Cash flows from financing activities			
Cash received from absorbing investments		1,050,000.00	
Including: Cash received by subsidiaries from minority shareholders' investment		1,050,000.00	
Cash received from borrowings		843,000,000.00	311,500,000.00
Cash received relating to other financing activities	(LVI)	4,371,536.79	753,000,000.00
Sub-total of cash inflows from financing activities		848,421,536.79	1,064,500,000.00
Cash paid for repayment of borrowings		548,349,324.49	573,992,950.83
Cash paid for distribution of dividends and profits or for interest expenses		45,352,882.83	44,937,410.36
Including: Dividends or profits paid to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	(LVI)	215,943,765.54	651,514,961.12
Sub-total of cash outflows from financing activities		809,645,972.86	1,270,445,322.31
Net cash flows from financing activities		38,775,563.93	-205,945,322.31

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*January – June 2020**(All amounts in RMB Yuan unless otherwise stated)*

Item	<i>Note V</i>	Amount for the period	Amount for the previous period
IV. Effect of changes in exchange rate on cash and cash equivalents		-1,417,502.15	72.39
V. Net increase in cash and cash equivalents		155,205,668.54	-66,108,970.03
Add: Cash and cash equivalents at the beginning of the period		163,386,562.37	128,620,277.04
VI. Cash and cash equivalents at the end of the period		318,592,230.91	62,511,307.01

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

*Legal representative of
the enterprise:*

*Person in charge of
accounting:*

*Head of accounting
department:*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

January – June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Amount for the period													
	Equity attributable to the owners of the Company													
	Share capital	Preference shares	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Other	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total	Minority interests	Total owners' equity
4. Others														
(VI) Transfer to owners' equity														
1. Transfer to capital (or share capital) from capital reserve														
2. Transfer to capital (or share capital) from surplus reserve														
3. Surplus reserves for making up losses														
4. Changes in defined benefit plans transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserve														
1. Appropriations in the period														
2. Utilization in the period														
(VII) Others														
IV. Closing balance for the period	2,320,349,400.00			943,531,444.10				-219,869,950.05	22,477,267.06	-2,737,340,636.05	241,147,516.06	94,035,139.73	335,163,655.79	

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

Legal representative of the enterprise: *Person in charge of accounting:* *Head of accounting department:*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

January – June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Amount for the previous period											
	Equity attributable to the owners of the Company											
	Share capital	Preference shares	Other equity instruments	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total	Minority interests	Total owners' equity
(V) Transfer of owners' equity												
1. Transfer to capital (or share capital) from capital reserve												
2. Transfer to capital (or share capital) from surplus reserve												
3. Surplus reserves for making up losses												
4. Changes in defined benefit plans transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriations in the period												
2. Utilization in the period												
(VI) Others												
IV. Closing balance for the period	2,232,349,400.00		943,531,444.10	-201,950,191.54	22,477,267.06	-2,826,897,626.94	169,510,292.68	107,018,132.74	276,528,425.42			

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

Legal representative of the enterprise: *Person in charge of accounting: Head of accounting department:*

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2020

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

I. COMPANY PROFILE

(I) Company Profile

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

As at 30 June 2020, the total share capital of the Company was 2,232,349,400 shares and the registered capital was RMB2,232,349,400. The unified social credit code of the Company was 916100007663066019. The place of registration was the courtyard at No. 1 Caihong Road, Qingdu District, Xianyang, Shaanxi Province; its legal representative was Tong Xiaofei; its address of headquarters was the courtyard at No. 1 Caihong Road, Qingdu District, Xianyang, Shaanxi Province.

The financial statements have been reported after approval by all Directors of the Company (the Board) on 20 July 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

I. COMPANY PROFILE (CONTINUED)

(I) Company Profile (Continued)

Business scope of the Company mainly comprises: the construction and operation of solar power plants; research, development, production and sales of solar photovoltaic glass, tempered glass, coated glass, conductive film glass, flat glass, and vacuum glass; research, development, production and sales of solar cell chip, solar cell module and their auxiliary products as well as silicon materials; solar photovoltaic power generation related business and research, development, production and sales of energy storage battery, inverter, smart grids for home appliances, and other auxiliary products; processing and further processing of quartz sand, an upstream material for solar photovoltaic glass; research, development, production and sales of power battery, cathode and anode materials of lithium battery, and upstream materials of lithium battery materials; research, development, manufacturing and sales of flat panel displays and auxiliary products and materials, electronic products; self-operated and commissioned import business for various commodities and technologies; operation of processing imported goods and “Three-plus-one” business (i.e. processing and compensation trade); foreign trade and entrepot trade; research, development, manufacturing and sales of computer software and hardware, chemical products, information technology, industrial control systems and its complete devices; processing and repairing machinery; development of, training and consultation on electronic information technology; acquisition, processing and utilization of waste materials, sales of accumulated materials; development, research, production and sales of new materials and high-tech products; medical and rehabilitation services, elderly care and healthcare services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

I. COMPANY PROFILE (CONTINUED)

(II) *Scope of the consolidated financial statements*

As at 30 June 2020, subsidiaries included in the scope of the consolidated financial statements are set out as below:

Name

Shaanxi IRICO New Material Co., Ltd* (the “**IRICO New Material**”)

IRICO (Hefei) Photovoltaic Co., Ltd.* (the “**Hefei Photovoltaic**”)

Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司) (the “**IRICO Green Energy**”)

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

Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) (the “**IRICO Yongneng**”)

Shaanxi IRICO Xinneng Glass Co., Ltd.* (陝西彩虹新能玻璃有限公司) (the “**Shaanxi Xinneng**”)

For the details of the scope and changes of the consolidated financial statements for the current period, please refer to “VI. Change in Scope of Consolidation” and “VII. Interests in Other Entities” in the notes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation

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

(II) Going concern

During the period from January to June 2020, the Company recorded total profit of RMB35,416,300 and net cash flows from operating activities of the Company of RMB127,689,100. As at 30 June 2020, the Company had current liabilities of RMB4,241,577,800, current assets of RMB1,992,297,000, and net current liabilities of RMB2,249,280,800, which indicated that the Company would be under heavy debt repayment pressure in the short term and subject to liquidity risks. However, the Company will take the following measures to ensure the safety of its funds and improve its business results:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**(II) Going concern (Continued)**

1. Along with the commencement of production of the Yan'an Photovoltaic Glass project adopting the global largest single-oxygen combustion furnace technology, the sales income and operating profit of the Company in the future will increase significantly, and our cash flow will be greatly improved;
2. The Company will further expand the production capacity of the photovoltaic glass and new materials business, keep up with market changes, and enhance cooperation with its strategic customers. At present, the capacity utilization rate and production-sales ratio of main products are at a relatively high level, and the business income of the Company is expected to increase substantially;
3. As the industry's leading photovoltaic glass manufacturer, the Company will continue to promote lean production management, and further reduce product costs through technological innovations, improving rate of qualified products, implementing centralized purchase of bulk materials, carrying out comprehensive benchmarking and other measures;
4. The Company will actively push forward its additional issuance of shares and has obtained approval from the SASAC and the CSRC. Upon completion of the additional issuance, the Company will speed up the construction of projects financed by the proceeds and put them into production, thus creating new profit growth points for the Company and alleviating the pressure of fund. Meanwhile, the Company's asset-liability ratio and finance costs will be significantly reduced.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(II) Going concern (Continued)

In preparing the financial statements for the year, the Board had conducted a detailed and thorough review of the Company's going-concern ability with reference to the current operational and financial situation of the Company, put forward the improvement measures and obtained a financial support commitment letter from IRICO Group Corporation Limited*, the controlling shareholder of the Company. Based on the above, the management is of the view that the Company will be able to generate expected benefits from its production and operation and obtain sufficient funding required for ensuring its production and operating activities, repaying debts as they fall due and financing capital expenditures.

In view of the foregoing, the Board has no intention to wind up or close the Company and it is confident that the Company will not be forced to enter winding-up or dissolution proceedings in the next accounting period. Therefore, the Company believes that the financial statements for the reporting period shall still be prepared on a going concern basis in respect of actual transactions and matters in accordance with the Accounting Standards for Business Enterprises and relevant requirements promulgated by the Ministry of Finance, and based on the accounting policies and estimates set out in Note "III headed Significant Accounting Policies and Accounting Estimates".

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Notes to specific accounting policies and accounting estimates:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(I) *Statement on compliance with the Accounting Standards for Business Enterprises***

The financial statements of the Company have been prepared in compliance with the requirements of the Accounting Standards for Business Enterprises, reflecting the Company's financial position, operating results, cash flows and other relevant information during the reporting period on a true and complete basis.

(II) *Accounting period*

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

(III) *Operating cycle*

The Company takes 12 months as its operating cycle.

(IV) *Functional currency*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

Business combinations involving entities under common control: The assets and liabilities acquired by the acquirer through business combination shall be measured at the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the 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 involving entities under common control: The assets paid and liabilities incurred or committed as a consideration of business combination by the acquirer are measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be charged to current profit or loss. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognize such difference 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(V) *Accounting treatment of business combinations under common control and not under common control (Continued)***

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 of the Company is determined on the basis of control, and the scope of consolidation comprises the Company and all of its subsidiaries.

2. *Consolidation Procedures*

The Company prepares the consolidated financial statements based on its own financial statements and those of each subsidiary and other relevant information. 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 according to the recognition, measurement and reporting requirements of relevant Accounting Standards for Business Enterprises based on the consistent accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. Consolidation Procedures (Continued)

The accounting policies and accounting period adopted by all subsidiaries that fall within the scope of consolidation of the consolidated financial statements shall be consistent with those adopted by the Company. 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. In respect of the subsidiaries acquired through business combination not under common control, their financial statements are adjusted based on the fair value of identifiable net assets as at the date of purchase. In respect of the subsidiaries acquired through business combination under common control, their financial statements are adjusted based on the book values of the assets and liabilities (including goodwill arising from the acquisition of such subsidiaries by the ultimate controlling party) in the financial statements of the ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(VI) Preparation method of consolidated financial statements
(Continued)****2. Consolidation Procedures (Continued)**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. Consolidation Procedures (Continued)

(1) Addition of subsidiary or business

During the reporting period, if there is an addition of subsidiary or business due to business combination under common control, the amount at the beginning of the period in the consolidated balance sheet will be adjusted; the income, expenses and profit 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 income statement; the cash flows 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 statement of cash flows, and relevant items in the comparative statements will also be adjusted as if the reporting entity after combination had been existing since the control of the ultimate controlling party started.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(VI) Preparation method of consolidated financial statements (Continued)****2. Consolidation Procedures (Continued)****(1) Addition of subsidiary or business (Continued)**

Where control over the investee under common control is obtained due to reasons such as increase in investments, adjustment is made as if the parties involved in the combination had been existing in the current condition since the control of the ultimate controlling party started. For equity investment held before the control over the acquiree is obtained, profit or loss, other comprehensive income and other changes in net assets recognized from the later of the acquisition of the original equity interest and the date when the acquirer and the acquiree are placed under common control until the date of combination are offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

During the reporting period, if there is an addition of subsidiary or business due to business combination not under common control, the amount at the beginning of the period in the consolidated balance sheet will not be adjusted; the income, expenses and profit of the subsidiary or business from the date of purchase to the end of the reporting period will be included in the consolidated income statement; the cash flows of the subsidiary or business from the date of purchase to the end of the reporting period will be included in the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. Consolidation Procedures (Continued)

(1) Addition of subsidiary or business (Continued)

Where control over the investee not under common control is obtained due to reasons such as increase in investments, for the equity interest of the acquiree held before the date of purchase, the Company remeasures the equity interest at its fair value as at the date of purchase, and any difference between the fair value and its book value will be accounted for as investment gains of the period. Where equity interest of the acquiree held before the date of purchase is related to other comprehensive income under equity accounting and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owners' equity related thereto are transferred to investment gains of the period to which the date of purchase belongs, except for other comprehensive income arising from the changes in net liabilities or net assets due to the re-measurement of defined beneficiary plans by the acquiree.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(VI) Preparation method of consolidated financial statements (Continued)***2. Consolidation Procedures (Continued)***(2) Disposal of subsidiary or business****① General treatment for disposal**

During the reporting period, for the disposal of a subsidiary or business, the income, expenses and profit of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated statement of cash flows.

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. Consolidation Procedures (Continued)

(2) Disposal of subsidiary or business (Continued)

① General treatment for disposal (Continued)

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 related to the equity investment in the original subsidiary or other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution are transferred to investment gains of the period during which the control is lost, except for other comprehensive income arising from the changes in net liabilities or net assets due to the re-measurement of defined beneficiary plans by the investee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(VI) Preparation method of consolidated financial statements (Continued)****2. Consolidation Procedures (Continued)****(2) Disposal of subsidiary or business (Continued)****① General treatment for disposal (Continued)**

Where loss of control is due to the decrease in the Company's shareholding as a result of the increase in capital contribution to the subsidiary by other investing parties, the accounting principle described above will be applied.

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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. Consolidation Procedures (Continued)

(2) Disposal of subsidiary or business (Continued)

② Stepwise disposal of subsidiary (Continued)

- 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 of disposal of equity investment in a subsidiary until control is lost 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; however, the difference between the amount received each time for disposal before control is lost and the net assets of such subsidiary corresponding to the disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and upon loss of control, is transferred to profit or loss of the period during which control is lost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(VI) Preparation method of consolidated financial statements (Continued)***2. Consolidation Procedures (Continued)**(2) Disposal of subsidiary or business (Continued)**② Stepwise disposal of subsidiary (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. Consolidation Procedures (Continued)

(3) Purchase of minority interests in subsidiary

For the difference between the long-term equity investment newly acquired due to the purchase of minority interests by the Company and the share of net assets of the subsidiary 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 partial disposal of long-term equity investment in a subsidiary without loss of control and the net assets of the subsidiary corresponding to the long-term equity investment disposed accumulated from the date of purchase of date of combination, share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

When the Company is a party to a joint arrangement and has rights to the assets, and obligations for the liabilities, relating to such arrangement, the joint arrangement is classified as a joint operation.

The Company recognises the following items in relation to its share of benefits in joint operations and accounts for them according to relevant Accounting Standards for Business Enterprises:

- (1) the assets held solely by the Company and those jointly held on a pro-rata 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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

- (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 Company’s accounting policy on investment in joint ventures.

(VIII) Recognition standard for cash and cash equivalents

When preparing the statement of cash flows, the Company’s cash on hand and deposits that can be used readily for payments are recognized as cash. Investments that satisfy four conditions, namely short-term (mature within three months from the date of purchase), highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, are recognized as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(IX) Translation of foreign currency transactions and 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

The assets and liabilities in the balance sheets are translated at the spot exchange rate on the balance sheet date. Except for “Retained earnings”, all items under owner’s equity are translated at the spot exchange rates when incurred. The income and expenses items in the income statement are translated at the spot exchange rates on the transaction dates.

On disposal of a foreign operation, the translation difference of the financial statements in foreign currency relating to that foreign operation is transferred from owners’ equity to profit or loss of the period during which the disposal occurs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments

According to the business model of the Company for management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as financial assets measured at amortized cost, or financial assets (debt instruments) measured at fair value through profit or loss, or other financial assets that are measured at fair value through profit or loss. If the objective of the business model is to collect contractual cash flows, and the contractual cash flows are solely payment of the principal and the interest based on the outstanding principal amount, the financial assets are classified as financial assets measured at amortized cost; if the objective of the business model is both to collect contractual cash flows and to dispose of the financial assets, and the contractual cash flows are solely payment of the principal and the interest based on the outstanding principal amount, the financial assets are classified as financial assets (debt instruments) measured at fair value through other comprehensive income, other financial assets are classified as financial assets measured at fair value through current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

For an investment in equity instruments not held for trading purposes, the Company determines at the initial recognition whether it is designated as a financial asset (equity instruments) that is measured at fair value through other comprehensive income. At the initial recognition, financial assets can be designated as financial assets at fair value through current profit or loss to eliminate or significantly reduce an accounting mismatch.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

1. Classification of financial instruments (Continued)

When meeting any of the following criteria, the Company may, at initial recognition, irrevocably designate a financial liability as measured at fair value through 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 risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.
- 3) The financial liabilities include embedded derivatives which can be split separately.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

(1) Financial assets measured at amortized cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

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

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

On derecognition, the accumulated gain or loss previously included in other comprehensive income is transferred out from other comprehensive income and included in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

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

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

Financial assets measured at fair value through 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

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

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized 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 using the effective interest method during the period of holding is included in current profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

3. *Recognition basis and measurement method for financial asset transfers*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

3. *Recognition basis and measurement method for financial asset transfers (Continued)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(X) Financial instruments (Continued)****4. Conditions for derecognition of financial liabilities**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

4. *Conditions for derecognition of financial liabilities (Continued)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****(X) Financial instruments (Continued)****6. Test and accounting methods for impairment of financial assets**

The Company takes into account all reasonable and reliable information, including forward-looking information, and estimates the expected credit losses of financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income by way of single or combination. The measurement of the expected credit losses depends on whether its credit risk has increased significantly since the initial recognition of the financial assets.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

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

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 contract assets whether contain significant financing components or otherwise, the Company always measures the loss provision at the amount equal to the lifetime expected credit loss.

For lease receivables and long-term receivables formed by the Company through the sale of goods or the provision of labor services, the Company chooses to always measure the loss provisions at the amount equal to the lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

1. Accounts receivable and bills receivable

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Impairment of Receivables (Continued)

1. Accounts receivable and bills receivable (Continued)

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

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

The reason of choosing the portfolio

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XI) Impairment of Receivables (Continued)***1. *Accounts receivable and bills receivable (Continued)*

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

The method of accruing bad debt provision on portfolio

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XI) Impairment of Receivables (Continued)***1. *Accounts receivable and bills receivable (Continued)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XI) Impairment of Receivables (Continued)******2. Receivables financing***

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Impairment of Receivables (Continued)

3. Other receivables

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

4. Others

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

(XII) Inventories

1. Classification

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.

2. Measurement for inventories delivered

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XII) Inventories (Continued)******3. Determination basis of net realizable value of different types of inventories***

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

Provision for decline in value of inventories is made on an item-by-item basis at the end of the period. For large quantity and low-value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for inventory depreciation may be determined on an aggregate basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories (Continued)

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

Unless there is evidence clearly shows that abnormality in market price exists as of the balance sheet date, the net realizable value of inventories is determined based on the market price as of the balance sheet date.

The net realizable value of inventories at the end of current period is determined based on the market price of the balance sheet date.

4. *Inventory system*

The Company adopts perpetual inventory system.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XIII) Contract assets***

1. Recognition and standard of contract assets

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

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

For the method of determination of expected credit loss of contract assets and accounting treatment methods, please refer to the Note “III. (X) 6. Test and accounting methods for impairment of financial assets”.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Assets classified as held-for-sale

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

- (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions;
- (2) The assets are highly likely to be sold, namely, the Company has been offered a resolution with one disposition of the assets and obtained a firm purchase commitment and the disposition will be completed within 1 year. If regulation needs to be approved by the relevant authorities or supervision department of the Company, such approval has been obtained.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Long-term equity investments****1. Joint control or significant influence criterion*

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

2. Determination of initial investment cost

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

For business combinations involving entities under common control: where the Company pays cash, transfers non-cash assets, bear debts or issue equity securities as consideration of combinations, the initial investment cost of long-term equity investments are its share of the book value of the shareholders' equity of the acquiree in the financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of the carrying amount of the net assets of the combined party in the consolidated financial statement of the ultimate controlling party after the combination. The difference between initial investment cost of long-term equity investment the date of combination and the sum of the carrying value of long-term equity investment before combination and the carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

Business combinations 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 when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

- (2) Long-term equity investments acquired by other means

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

2. Determination of initial investment cost (Continued)

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

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the non-monetary assets transaction is measured at fair value. If both of the fair value of the assets received and surrendered can be reliably measured, the initial investment cost of a long-term equity investment received shall be determined on the basis of the fair value of the assets surrendered and the related tax payable, unless there is concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which is not commercial in nature, or the fair value of the assets received or surrendered are not able to be reliably measured, the initial investment cost of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable.

For the long-term equity investment acquired by the Company through debt restructurings, its book value is determined based on the fair value of the creditor's rights waived and the taxes that can be directly attributable to the asset and other costs, and the balance between the fair value and book value of the creditor's rights waived is included in current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

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

Long-term equity investment in a subsidiary is accounted for by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognized as the Company' share of the cash dividends or profits declared by the investee.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

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

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

The Company recognizes the investment income and other comprehensive income according to its shares of net profit or loss and other comprehensive income realized by the investee respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments. The carrying value of long term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity 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 of an investee is determined based on the fair value of identifiable net assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Company, adjustment shall be made to the net profit of the investee. During the period of holding investments, if the investee prepares its consolidated financial statements, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner's equity in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Long-term equity investments (Continued)***

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

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

The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized. For asset injection or disposal between the Company and any of its associates or joint ventures, if the asset constitutes a business, such transaction shall be dealt with in accordance with Note III(V) "Accounting method for business combination involving enterprises under common control and not under common control" and Note III(VI) "Preparation of consolidated financial statements".

In recognition of its share of losses of an investee, the Company deal with it in the following order: Firstly, the Company will write off the carrying value of long-term equity investment. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying value of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by the Company according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and included in the investment loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

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

(3) Disposal of long-term equity investments

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

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Long-term equity investments (Continued)*****3. *Subsequent measurement and recognition of profit or loss (Continued)*****(3) Disposal of long-term equity investments (Continued)**

When the Group loses the control or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equity which is recognized due to changes of owner's equity other than net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

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

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

When the Group loses the control over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest after disposal shall be accounted for under equity method in preparation of separate financial statements provided that joint control or material influence over the investee can be imposed and shall be adjusted as if such remaining equity interest had been accounted for under the equity method since being obtained. Where the remaining equity interest after disposal cannot exercise joint control or exert material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XV) Long-term equity investments (Continued)***

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

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

The disposed equity interest was acquired in a business combination as resulted from making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity which are recognized because the equity investment held on the acquisition date is accounted for using equity method shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standards of financial instruments, other comprehensive income and other owners' equity shall be fully carried forward.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVI) Investment properties

Investment properties are those held to earn rentals or for capital appreciation or both, including leased land use rights, land use rights held for sale after appreciation, and leased buildings (including self-owned buildings constructed or developed for the purpose of leasing and those that are under construction or development for the purpose of leasing in future).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XVII) Fixed assets******1. Conditions for recognition of fixed assets***

Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and have a useful life of more than one accounting year. A fixed asset is recognized 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.

2. Methods for depreciation

Fixed assets 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. Where different components of a fixed asset have different useful lives or generate economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets (Continued)

2. Methods for depreciation (Continued)

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

Category	Depreciation method	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	10-30	3	3.23-9.70
Machinery and equipment	Straight-line method	18	3	5.40
Electronic equipment	Straight-line method	15	3	6.50
Office equipment	Straight-line method	5	3	19.40
Transportation tools	Straight-line method	5	3	19.40
Specialized glass equipment	Straight-line method	6	3	16.20

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XVIII) Construction in progress***

Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs refer to borrowing interest, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XIX) Borrowing costs (Continued)***

1. *Criteria for recognition of capitalised borrowing costs (Continued)*

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalisation of borrowing costs, excluding the period in which capitalisation of borrowing costs is temporarily suspended.

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

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalisation of borrowing costs should cease.

If different parts of the asset acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XIX) Borrowing costs (Continued)******3. Suspension of capitalisation period***

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when 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 and construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period of interruption shall be recognized in current profit or loss. When the acquisition and construction or production of the asset resumes, the capitalisation of borrowing costs continues.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

4. Calculation of capitalisation rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of qualifying assets, borrowing costs of 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 as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

General borrowings for the acquisition, construction or production of qualifying assets, the to-be-capitalized amount of interests 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 specifically borrowed loans by the capitalisation rate of the general borrowing used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of general borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XX) Intangible assets****1. Measurement of intangible assets*

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

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to bringing the asset ready for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible asset shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of the creditor' rights waived thereunder and other costs including the taxes directly attributable to bringing the asset ready for its intended use, and the difference between the fair value and the carrying amount of creditor' right waived thereunder should be included in current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

1. Measurement of intangible assets (Continued)

- (1) Intangible assets are initially measured at cost upon acquisition; (Continued)

If the non-monetary assets transaction is commercial in nature, and the fair value of the assets received or surrendered can be reliably measured, it is measured on the basis of fair value. If the fair value of the assets received or surrendered can be reliably measured, for the intangible asset received, the fair value of the assets surrendered and the relevant taxes and fees payable shall be taken as the initial investment cost of the intangible asset received, unless there is concrete evidence that the fair value of the assets received is more reliable. If the non-monetary assets transaction does not have commercial substance, or the fair value of the assets received or surrendered cannot be reliably measured, for the intangible asset received, the book value of the assets surrendered and the relevant taxes and fees payable shall be taken as the initial investment cost of the intangible asset received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XX) Intangible assets (Continued)******1. Measurement of intangible assets (Continued)******(2) Subsequent measurement***

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XX) Intangible assets (Continued)***

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

Items	Estimated useful lives <i>(Years)</i>	Amortization method
Land use rights	16.75–50	Straight-line method
Trademark use rights	10	Straight-line method
Computer software	5–10	Straight-line method
Patent	10	Straight-line method
Software copyrights	10	Straight-line method
Non-patent technology	5-10	Straight-line method

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

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

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

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

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

5. *Specific criteria for capitalisation at development phase*

Expenses incurred in the development phase are recognized as intangible assets if the following conditions are fulfilled:

- (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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XX) Intangible assets (Continued)*****5. *Specific criteria for capitalisation at development phase (Continued)***

- (5) the expenditures attributable to the development phase of the intangible asset could be reliably measured.

Expenditure in the development phase, if it does not meet the conditions listed above, is charged to profit or loss when incurred. Development expenditure previously included in profit or loss will not be recognized as assets in subsequent periods. The capitalized expenditures for the development phase are presented as development expenditures on the balance sheet, and are converted to intangible assets from the date when the project reaches its intended use.

When the recoverable amount of development expenditure is lower than its carrying amount, the carrying amount will be reduced to the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Impairment of long-term assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXI) Impairment of long-term assets (Continued)***

Goodwill, 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.

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 group, or if there is a difficulty in allocation, to allocate it to the set of asset groups. When the Company allocates the carrying value of goodwill, the allocation shall be made based on the relative benefits gained from the synergy of business combination by relevant asset group or set of asset groups, based on which impairment tests for goodwill shall be carried out.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

For the purpose of impairment test on the relevant asset group or the set of asset groups containing goodwill, if any evidence shows that the impairment of asset group or set of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset group or set of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or set of asset groups containing goodwill, and compare the carrying value of the asset groups or set of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets group or set of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

Once the above asset impairment loss is recognized, it will not be reversed in subsequent accounting periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXII) Long-term deferred expenses***

Long-term deferred expenses are expenses which have occurred with amortization period over 1 year and shall be borne by the current period and subsequent periods. The long-term deferred expenses of the Company comprise its decoration fee.

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

(XXIII) Contract liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Employee benefits

1. Accounting treatment of short-term benefits

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

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

Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXIV) Employee benefits (Continued)*****2. Accounting treatment of post-employment benefits****(1) Defined contribution scheme**

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

(2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profit or loss or costs of relevant assets.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Employee benefits (Continued)

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

(2) Defined benefit scheme (Continued)

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

The service cost incurred by the defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged to current profit or loss or relevant costs of assets. The changes arising from the re-measurement 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 included in other comprehensive income shall be transferred to undistributed profit.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXIV) Employee benefits (Continued)******3. Accounting treatment of termination benefits***

The Company recognizes employee benefits liabilities arising from termination benefits and recorded in profit or loss when it cannot unilaterally withdraw the offer of termination benefits resulting from the employment termination plan or the proposed layoff, or when it recognizes costs or expenses for restructuring involving the payment of termination benefits (whichever is earlier).

(XXV) Estimated liabilities***1. Recognition criteria of estimated liabilities***

The Company shall recognize an obligation related to contingency involving litigation, debt guarantee, loss-making contract or restructuring as an 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 out of the Company;
- (3)*** the amount of such obligation can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXV) Estimated liabilities (Continued)

2. Measurement methods for various estimated liabilities

The estimated liabilities of the Company 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.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVI) Share-based payments (Continued)******1. Equity-settled share-based payment and equity instrument***

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 Company make the share-based payment by restricted shares, employees will subscribe the share but those shares shall not be listed on the market or transferred before it fulfill the unlocking condition and unlocked. If the unlocking conditions stipulated in the equity incentive scheme cannot be fulfilled eventually, the Company will repurchase those shares based on the predetermined price. Upon obtaining the payment for subscribing restricted shares made by the employees, the Company will recognized the share capital and capital reserve (share capital premium) according to the payment it received, while fully recognize a liability for its repurchasing obligation as well as its treasury shares. On each balance sheet date within the vesting period, the Company will make the best estimation of the number of vested equity instruments based on the subsequent information such as the updated changes in the number of executives and the achievement of performance standard. Based on the above results, the services received in the current period will be included in the relevant cost or expense based on the fair value on the date of grant, and the capital reserve will be increased accordingly. The recognized cost or expense and owners' interest will not be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant will be included in the relevant cost or expense based on its fair value on the date of grant, and the capital reserve will be increased accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVI) Share-based payments (Continued)

1. *Equity-settled share-based payment and equity instrument (Continued)*

For the share-based payments that are not vested eventually, no cost or expense will be recognized, except the vesting condition is market condition or non-exercisable condition. Under such circumstances, no matter whether the market condition or non-exercisable condition can be fulfilled, the share-based payment will be deemed as vested as long as all the non-market conditions in the vesting condition are fulfilled.

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

If the equity-settled share-based payment is cancelled, it will be accounted for as accelerated exercise on the cancellation date and the unrecognized amount will be recognized immediately. Employees and other parties are able to satisfy the non-vesting conditions. If the conditions are not fulfilled during the vesting period, the equity settled share-based payment will be deemed as cancelled. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to cancel equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument with the same terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVI) Share-based payments (Continued)******2. Cash-settled share-based payments and equity instrument***

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. It is initially measured at fair value on the date of grant, taking account into the terms and conditions of the equity instrument granted. If the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, within 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 enterprise. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured and the changes will be included in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

The Company's preferred shares and perpetual bonds 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 instead of only on the basis of the legal form.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) **Revenue**

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

The Company recognizes revenue when the performance obligation in a contract is fulfilled, namely when the customer acquires control over the relevant goods. 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 committed by individual performance obligation, and recognizes the revenue according to the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration that the Company expects to be entitled to receive as a result of the transfer of goods to the customers. When determining the transaction price, if there is a variable consideration, the Company shall determine the best estimate of the variable consideration according to its expected value or the amount most likely to be incurred and the transaction price included by the Company does not exceed the amount of revenue accumulatively recognized when the relevant uncertainties are eliminated and where it is highly unlikely that a major reversal on such revenue will occur. Where there are significant financing elements in the contract, the Company will adjust the transaction price according to the financing elements in the contract; where the interval between the transfer of control right and the payment of the price by the customer does not exceed one year, the financing elements in the contract will not be considered by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXVIII) Revenue (Continued)***

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

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

1. 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.
2. The customers can control the goods under construction in the course of the Company's performance.
3. 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.

For obligations fulfilled within a certain period of time, the Company recognizes income in accordance with the fulfillment progress of the performance obligations. Otherwise, the Company recognizes revenue at the point of time when the customer acquires control over the relevant goods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) **Contract costs**

Contract costs are divided into contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract are recognized as an asset as contract performance costs when the following conditions are met:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXIX) Contract costs (Continued)***

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

1. The remaining consideration expected to be obtained by the transfer of goods or services related to the asset;
2. The cost expected to be incurred for the transfer of the relevant goods or services.

If the impairment provision of the above-mentioned asset is subsequently reversed, 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 of government grants***

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) **Government grants (Continued)**

2. *Timing for recognition*

Government grants related to revenue is recognised when the grant is received.

3. *Accounting treatment*

The government grants for the Company are recognized when the conditions attached to the government grants are met and the government grants are receivable.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXX) Government grants (Continued)******3. Accounting treatment (Continued)***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) **Government grants (Continued)**

3. *Accounting treatment (Continued)*

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXI) Deferred income tax assets and deferred income tax liabilities***

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

Save for exceptions, deferred income tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

When the Group has the legal right to set off current income tax assets and current income tax liabilities on a net basis, such 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, deferred income tax assets and liabilities of the Company shall be presented as the net amount after offsetting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXXII) Lease***

A lease is a contract that a lessor conveys the right to use an asset to a lessee for a period of time in exchange for consideration.

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

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

1. The Company as a lessee***(1) Right-of-use assets***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

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

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

- the 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;
- an estimate of costs to be incurred by the Company in dismantling and removing the leased assets, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease. The Company determines and measures such cost based on the determination standard and measurement method set out in this note "III. (XXV) Estimated Liability". Such costs are incurred to produce inventories and included in the costs of inventory.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)*****1. The Company as a lessee (Continued)****(1) Right-of-use assets (Continued)**

The Company uses straight-line method to accrue depreciation for the right-of-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 right-of-use asset within the remaining useful life of the underlying asset; if there is no reasonable certainty that the Company will obtain ownership of a leased asset at the end of the lease term, the Company depreciates the right-of-use asset within the earlier of the end of the lease term or the end of the remaining useful life of the leased asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) **Lease (Continued)**

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

(2) Lease liabilities

At the commencement date of lease term, the Company recognizes lease liabilities for leases (excluding short-term leases and leases of low-value assets). Lease liabilities are initially measured based on the present value of outstanding lease payment. Lease payment includes:

- 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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXXII) Lease (Continued)*****1. The Company as a lessee (Continued)****(2) Lease liabilities (Continued)**

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) **Lease (Continued)**

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

(2) Lease liabilities (Continued)

After the commencement date of lease term, if the following circumstances occur, the Company will re-measure the lease liability based on the present value of the lease payments after the change:

- changes in the amount expected to be payable under the guaranteed residual value;
- changes in the index or rate arising from the confirmation of lease payments;
- changes in the reassessment of the Company in relation to the purchase, extension or termination option or the actual exercise condition of extension or termination option disaccords with the original assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)*****1. The Company as a lessee (Continued)****(2) Lease liabilities (Continued)**

When re-measuring the lease liability, the Company shall make a corresponding adjustment to the carrying amount of the right-of-use asset. The remaining amount is recorded in profit or loss in the period if the carrying amount of the right-of-use asset has been adjusted downward to zero but the lease liabilities shall still be adjusted downward.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) **Lease (Continued)**

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

(4) Lease change

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXXII)* **Lease (Continued)**2. *The Company as a lessor*

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

(1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognised as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases to be incurred by the Company shall be capitalized and then allocated and included in the current profit and loss by stages at the same base as the recognition of rental income over the lease term. The variable lease payments not included in the measurement of lease payments shall be recognised in profit or loss in the period in which they are occurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

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

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes financing lease receivable and derecognizes the underlying assets. The Company initially measures financing lease receivable in the amount of net investment in the lease. Net investment in the lease is the sum of present value of unguaranteed residual value and the lease payments receivable which were not received at the commencement date of lease term, discounted at the interest rate implicit in the lease.

The Company calculates and recognizes interest income in each period during the lease term, based on a fixed periodic interest rate. The derecognition and impairment losses of financing lease receivable are accounted for in accordance with the Note "III. (X) Financial instruments".

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXII) Lease (Continued)*****3. *After-sale and leaseback transactions***

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

(1) As a lessee

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Lease (Continued)

3. *After-sale and leaseback transactions (Continued)*

(2) As a lessor

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)***(XXXIII) Discontinued operation***

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

- (1) represents a separate major line of business or geographical area of operation;
- (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.

(XXXIV) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIV) Segment reporting (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXV) Changes in significant accounting policies and accounting estimates******1. Changes in significant accounting policies***

- (1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 13

On 10 December 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 13 (Cai Kuai [2019] No. 21, hereinafter referred to as “Interpretation No. 13”) which will be effective on 1 January 2020, and retroactive adjustments will not be required.

- ① Identification of related parties

Interpretation No. 13 makes it clear that the following circumstances constitute the related parties: joint ventures or associates of an enterprise and other members of its enterprise group (including the parent company and subsidiaries); an enterprise’s joint ventures and an enterprise’s other joint ventures or associates. In addition, the Interpretation No. 13 also makes it clear that only two parties or more that are significantly affected by one party do not constitute the related parties, and adds that the associates include the associates and their subsidiaries, and the joint venture includes the joint venture and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

1. Changes in significant accounting policies (Continued)

(1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 13 (Continued)

② Definition of business

Interpretation No. 13 perfects the three elements of business composition, refines the judgment conditions that make up the business, and introduces the “concentration test” option to simplify the judgment of whether the acquisition of a combination under non-identical control constitutes the business to a certain extent.

The Company has implemented Interpretation No. 13 since 1 January 2020, without adjustment to the comparative financial statements, and the Implementation of Interpretation No. 13 didn't have a material impact on the Company's financial position and operating results.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXXV) Changes in significant accounting policies and accounting estimates (Continued)******1. Changes in significant accounting policies (Continued)***

- (2) Implementation of the Accounting Treatment Provisions on Rent Concessions related to the COVID-19

On 19 June 2020, the Ministry of Finance issued the Accounting Treatment Provisions on Rent Concessions related to the COVID-19 (Cai Kuai [2020] No. 10), which will come into effect on 19 June 2020, allowing enterprises to adjust the relevant rent concessions that occurred between 1 January 2020 and the date of effect of the provision. According to the provision, enterprises can choose to use simplified methods for accounting treatment for rent reductions, delay in payment and other rent concessions directly caused by the COVID-19.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

1. Changes in significant accounting policies (Continued)

- (2) Implementation of the Accounting Treatment Provisions on Rent Concessions related to the COVID-19 (Continued)

The Company has implemented this provision since 1 January 2020, without adjustment to the comparative financial statements, and the implementation of the provision didn't have a material impact on the Company's financial position and operating results.

2. Changes in significant accounting estimates

No significant changes to accounting estimates occurred during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***IV. TAXATION****(I) Major tax categories and tax rates**

Tax categories	Tax basis	Tax rate
Value-added tax	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	13%, 6%
Urban maintenance and construction tax	Based on value-added tax and consumption taxes actually paid	7%, 5%
Enterprise income tax	Based on taxable profits	25%, 15%

Companies subject to different income tax rates are disclosed as follows

Name of taxpayer	Income tax rate (%)
IRICO Group New Energy Company Limited (the parent company)	15
Shaanxi IRICO New Material Co., Ltd.	15
IRICO (Hefei) Photovoltaic Co., Ltd.	15
Jiangsu IRICO Yongneng New Energy Company Limited	15

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

IV. TAXATION (CONTINUED)

(II) Tax preference

1. Pursuant to the “Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy” (Cai Shui [2011] No. 58) (《關於深入實施西部大開發戰略有關稅收政策問題的通知》(財稅[2011]58號)), as the Company and its subsidiary Shaanxi IRICO New Material Co., Ltd. pertains to enterprises engaged in the industries encouraged by the government in the western region, they are entitled to relevant western development preferential policies upon filing with the tax branch directly under the Xianyang Municipal Office, SAT, and therefore enjoys the preferential EIT rate of 15% for the year.
2. IRICO (Hefei) Photovoltaic Co., Ltd.*, 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, Anhui Provincial Tax Service, State Taxation Administration on 24 July 2018, and has been entitled to a 15% preferential tax treatment for EIT.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***IV. TAXATION (CONTINUED)****(II) Tax preference (Continued)**

3. As the income from power generation of IRICO (Hefei) Photovoltaic Co., Ltd.*, the subsidiary of the Company, and Nanjing IRICO New Energy Co., Ltd.*, the subsidiary of Xianyang IRICO Green Energy Co., Ltd. (咸陽彩虹綠色能源有限公司), applies to preferential policy of three years' exemption from EIT followed by three years of 50% tax reduction. As stipulated under Clause 88 of the "Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (No.512 Decree of the State Council of the People's Republic of China)" (《中華人民共和國企業所得稅法實施條例》(中華人民共和國國務院令 第512號)), qualified environmental protection, energy and water saving projects mentioned in Article 27(3) of the Enterprise Income Tax Law include public sewage treatment, public refuse disposal, comprehensive development and utilization of biogas, technological upgrade of energy saving and remission reduction, seawater desalination, etc. Enterprises engaged in the abovementioned qualified environmental protection, energy and water conservation projects, shall be exempted from entire EIT on income derived therefrom for the first to third years, and entitled to a 50% tax reduction from the fourth to sixth years, commencing from the assessable year during which relevant projects start to generate manufacturing or operating revenue. Nanjing IRICO New Energy Co., Ltd. was in tax-free stage during the reporting period. IRICO (Hefei) Photovoltaic Co., Ltd.* is in the halving phase.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

IV. TAXATION (CONTINUED)**(II) Tax preference (Continued)**

4. Jiangsu IRICO Yongneng New Energy Company Limited*, a subsidiary of the Company was accredited as a High and New Technology Enterprise (Certificate No. GR201832005221) as approved by the Science and Technology Department of Jiangsu Province, the Department of Finance of Jiangsu Province, Jiangsu Tax Service, SAT and Jiangsu Local Tax Bureau on 30 November 2018, and has been entitled to a 15% preferential tax treatment for EIT.

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(I) Monetary funds**

Item	Closing balance	Balance at the end of last year
Cash on hand	12,381.41	9,631.61
Bank deposit	348,703,659.24	163,376,930.76
Other monetary funds	385,427,337.75	242,061,659.77
Total	734,143,378.40	405,448,222.14
Of which: Total deposits in overseas banks	18,525.63	18,525.63

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(I) Monetary funds (Continued)**

Restricted monetary funds are as follows:

Item	Closing balance	Balance at the end of last year
Security deposit for bank acceptance bills	385,427,337.75	242,061,659.77
Fixed deposit receipt	30,000,000.00	
Frozen deposit of litigation	123,809.74	
Total	415,551,147.49	242,061,659.77

(II) Held-for-trading financial assets

Item	Closing balance	Balance at the end of last year
Financial assets measured at fair value through profit and loss	357,484.18	2,863,047.11
Including: investment in equity instruments	357,484.18	493,047.11
CSC-China Electronics third tranches of accounts receivable assets support for planned secondary income right		2,370,000.00
Total	357,484.18	2,863,047.11

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(III) Bills receivable**1. *Bills receivables by category*

Item	Closing balance	Balance at the end of last year
Bank acceptance bills		
Commercial acceptance bills	2,659,478.41	1,990,378.52
Total	<u>2,659,478.41</u>	<u>1,990,378.52</u>

2. *There were no pledged bill receivables at the end of the period*

3. *There was no endorsed or discounted bills receivable that was not yet due at the end of the period*

4. *There were no bills converted into accounts receivables due to the issuer's failure to perform at the end of the period*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable***1. Accounts receivable shown by aging*

Aging	Closing balance	Balance at the end of last year
Within 1 year		
Including: 0-6 months (inclusive)	365,212,511.78	329,112,337.41
7-12 months (inclusive)	19,684,193.42	91,227,636.91
Subtotal within 1 year	384,896,705.20	420,339,974.32
1-2 years (inclusive)	21,183,141.91	39,405,327.52
2-3 years (inclusive)	32,884,155.98	8,096,050.04
Over 3 years	33,826,956.88	26,144,065.25
Subtotal	<u>472,790,959.97</u>	<u>493,985,417.13</u>
Less: provision for bad debts	<u>42,137,632.97</u>	<u>44,966,218.37</u>
Total	<u>430,653,327.00</u>	<u>449,019,198.76</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(IV) Accounts receivable (Continued)

2. Accounts receivables disclosed according to the method of provision for bad debts

Category	Closing balance				Carrying amount	Balance at the end of last year				Carrying amount
	Book balance		Allowance for bad debts			Book balance		Allowance for bad debts		
	Amount	Proportion (%)	Amount	Appropriation Proportion (%)		Amount	Proportion (%)	Amount	Appropriation Proportion (%)	
Allowance for bad debts is made on individual basis	33,864,329.29	7.16	13,463,737.69	39.76	20,400,581.60	36,555,831.56	7.40	13,463,737.69	36.83	23,092,093.87
Allowance for bad debts is made on group basis	438,926,630.68	92.84	28,673,895.28	6.53	410,252,735.40	457,429,565.57	92.60	31,502,480.68	6.89	425,927,104.89
Including: By aging	419,679,293.56	88.81	28,673,895.28	6.83	391,205,398.28	445,493,561.82	90.18	31,502,480.68	7.07	413,991,081.14
By related parties	19,047,337.12	4.03			19,047,337.12	11,936,023.75	2.42			11,936,023.75
Total	472,790,959.97	100.00	42,137,632.97		430,653,327.00	493,985,417.13	100.00	44,966,218.37		449,019,198.76

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)***2. Accounts receivables disclosed according to the method of provision for bad debts (Continued)*

Allowance for bad debts made on individual basis:

Name	Book balance	Closing balance		Reasons for making allowance
		Allowance for bad debts	Appropriation Proportion (%)	
Wuxi Jianshan Photovoltaic Power Generation Co., Ltd. (巫溪縣兼善光伏發電有限公司)	20,400,591.60			Expected to be recoverable
Shenzhen Mascon Technology Co., Ltd. (深圳市瑪斯科特科技有限公司)	5,919,990.18	5,919,990.18	100.00	Court judgment
Xianyang Weilike Energy Co., Ltd. (咸陽威力克能源有限公司)	3,033,032.65	3,033,032.65	100.00	Court judgment
Shenzhen Dikte Battery Science & Technology Co., Ltd. (深圳市迪凱特電池科技有限公司)	2,739,320.00	2,739,320.00	100.00	Court judgment
Shenzhen Zhongtao Battery Co. Ltd. (深圳市中韜電池有限公司)	1,771,394.86	1,771,394.86	100.00	Court judgment
Total	33,864,329.29	13,463,737.69		

Note: The case for accounts receivable from Wuxi Jianshan Photovoltaic Power Generation Co., Ltd. has won. The court froze the bank deposit of RMB23 million in Wuxi Jianshan Photovoltaic Power Generation Co., Ltd., the frozen bank deposit is larger than the accounts receivable and is expected to be recovered in 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

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

Allowance for bad debts made on group basis:

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

Name	Accounts receivable	Closing balance	
		Allowance for bad debts	Appropriation proportion (%)
0 to 6 months (inclusive)	358,308,469.59		
7 to 12 months (inclusive)	19,355,003.42	193,550.04	1.00
1 to 2 years (inclusive)	14,045,873.16	4,213,761.95	30.00
2 to 3 years (inclusive)	7,806,728.20	3,903,364.10	50.00
Over 3 years	20,363,219.19	20,363,219.19	100.00
Total	419,879,293.56	28,673,895.28	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

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

Items for which allowance is made on group basis: by related parties

Name	Accounts receivable	Closing balance Allowance for bad debts	Appropriation proportion (%)
By related parties	19,047,337.12		
Total	19,047,337.12		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(IV) Accounts receivable (Continued)

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

Type	Balance at the end of last year	Changes during the period			Closing balance
		Provision	Recovered or reversed	Charged off or written off	
Recognized allowances for bad debt for single item	13,463,737.69				13,463,737.69
Receivables with allowances for bad debts based on credit risk characteristics	31,502,480.68	2,049,425.41	4,878,010.81		28,673,895.28
Including: by aging by related parties	31,502,480.68	2,049,425.41	4,878,010.81		28,673,895.28
Total	44,966,218.37	2,049,425.41	4,878,010.81		42,137,632.97

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

3. *Allowances for bad debts made, reversed or recovered for the period (Continued)*

The significant situation of provision for bad debt received or reversed in current period:

Name	The amount reversed or received	Basis of recognizing the original provision of bad debt and its rationality	Reasons for amount reversed or received	Receiving method
Dongguan Yisheng battery Co., Ltd. (東莞市易升電池有限公司)	2,900,000.00	On aging basis	Debt collection	Monetary payment
Wuxi Heneng Photovoltaic Technology Co., Ltd. (無錫合能光伏科技有限公司)	950,407.65	On aging basis	Debt collection	Monetary payment
Vendato Handels UG haftungs	276,269.34	On aging basis	Debt collection	Monetary payment
Zhangjiagang Wuli Lake Trading Co., Ltd. (張家港市五里湖貿易有限公司)	187,334.84	On aging basis	Debt collection	Monetary payment
Xianyang Huaxing Materials Co., Ltd. (咸陽華星物資有限公司)	169,015.41	On aging basis	Debt collection	Monetary payment
Other smaller summaries	394,983.57	On aging basis	Debt collection	Monetary payment
Total	4,878,010.81			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

4. *There are no actual accounts receivable written off during the period*
5. *Top five accounts receivable according to closing balance of debtors*

Name	Accounts receivable	Closing balance Percentage of total accounts receivable (%)	Allowance for bad debts
Hefei JA Solar Technology Co., Ltd. (合肥晶澳太陽能科技有限公司)	37,580,571.27	7.95	
ECO SOLAR ENERGIE BVBA	31,412,773.73	6.64	
LONGi Solar Technology Co, Ltd* (隆基樂葉光伏科技有限公司)	28,828,907.04	6.10	
Jinko Solar Co., Ltd (晶科能源有限公司)	26,497,029.82	5.60	
Zhejiang Meidu Hitrans Lithium Battery Technology Co. Ltd (浙江美都海創鋰電科技有限公司)	26,124,543.12	5.53	
Total	150,443,824.98	31.82	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)****6. Accounts receivable derecognized due to transfer of financial assets**

Items	Derecognized amount	Gains and losses related to derecognition
GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司)	13,790,916.92	
Zhejiang Meidu Hitrans Lithium Battery Technology Co. Ltd (浙江美都海創鋰電科技有限公司)	13,260,815.28	
Jinko Solar Co., Ltd (晶科能源有限公司)	10,703,949.44	
Zhejiang LONGi Solar Technology Co., Ltd. (浙江隆基樂葉光伏科技有限公司)	10,503,133.82	
Taizhou LONGi Solar Technology Co., Ltd. (泰州隆基樂葉光伏科技有限公司)	10,422,272.32	
Trina Solar Co., Ltd. (天合光能股份有限公司)	10,332,890.76	
Suzhou Tenghui Photovoltaic Technology Co., Ltd. (蘇州騰暉光伏技術有限公司)	9,732,912.58	
Dongfang Risheng New Energy Co., Ltd. (東方日升新能源股份有限公司)	8,453,466.79	
Hefei JA Solar Technology Co., Ltd. (合肥晶澳太陽能科技有限公司)	7,961,760.00	
CSI Photovoltaic Power (Luoyang) Co., Ltd (阿特斯光伏電力(洛陽)有限公司)	7,958,286.02	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

6. *Accounts receivable derecognized due to transfer of financial assets (Continued)*

Items	Derecognized amount	Gains and losses related to derecognition
Dongfang Risheng (Changzhou) New Energy Co., Ltd. (東方日升(常州)新能源有限公司)	7,770,874.83	-6,067,443.94
Changshu CSI Sun Power Technology Co., Ltd. (常熟阿特斯陽光電力科技有限公司)	6,906,078.38	
Suzhou CSI Sun Energy Technology Co., Ltd. (蘇州阿特斯陽光能源科技有限公司)	5,333,796.78	
Shanghai JA Solar Technology Co., Ltd. (上海晶澳太陽能科技有限公司)	5,273,237.24	
Anhui Daheng Energy Technology Co., Ltd. (安徽大恒能源科技有限公司)	4,749,959.65	
Xianyang IRICO Optoelectronics Technology Co., Ltd. (咸陽彩虹光電科技有限公司)	3,898,771.20	
Shantou Ruisheng Electronics Co., Ltd. (汕頭市瑞升電子有限公司)	1,879,200.00	
Foshan Lighting Chanchang Optoelectronics Co., Ltd. (佛山照明禪昌光電有限公司)	1,377,355.03	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**

6. *Accounts receivable derecognized due to transfer of financial assets (Continued)*

Items	Derecognized amount	Gains and losses related to derecognition
Shenzhen Wooneng New Energy Co., Ltd. (深圳市沃能新能源有限公司)	1,300,000.00	
Changzhou Tianhe Hezhong Optoelectronic Co., Ltd. (常州天合合眾光電有限公司)	1,327,595.19	
Guangxi New Future Information Industry Co., Ltd. (廣西新未來信息產業股份有限公司)	1,228,700.00	
Total	144,165,972.23	-6,067,443.94

Explanation: On 15 November 2019, the Company, Hefei Photovoltaic and IRICO New Material respectively signed a receivables transfer agreement with Zhongguang Wealth Commercial Factoring (Shenzhen) Co., Ltd. (中廣財富商業保理(深圳)有限公司) (“**Zhongguang Wealth**”). Part of the receivables held were proposed to transfer to Zhongguang Wealth.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IV) Accounts receivable (Continued)**7. *Overdue accounts receivable at the end of the period*

Items	Closing balance
Accounts receivable not overdue and not impaired	342,759,072.23
Accounts receivable overdue and not impaired – within 3 months	25,701,197.54
Accounts receivable overdue and not impaired – over 3 months	62,193,057.23
Total	430,653,327.00

As of 30 June 2020, information on the impairment of accounts receivable and the Company's exposure to credit risk and foreign currency risk is set out in Note 8.

As at 30 June 2020, the carrying amounts of accounts receivable approximated their fair values.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(V) Receivables financing***1. Receivables financing*

Item	Closing balance	Balance at the end of previous year
Bills receivable	342,073,456.46	455,599,031.06
Accounts receivable		
Total	342,073,456.46	455,599,031.06

2. Changes of receivables financing and its fair value for the period

Item	Balance at the end of previous year	Additions during the period	Derecognition during the period	Other changes	Closing balance	Accumulated loss provisions recognized in other comprehensive income
Bank acceptance bills	455,599,031.06	2,154,171,924.59	2,267,697,499.19		342,073,456.46	
Total	455,599,031.06	2,154,171,924.59	2,267,697,499.19		342,073,456.46	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(V) Receivables financing (Continued)***3. Receivables financing pledged at the end of period*

Category	Pledged amount at the end of period
Bank acceptance bills	108,348,929.30
Commercial acceptance bills	_____
Total	108,348,929.30

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

Category	Amount derecognized at the end of period	Amount not derecognized at the end of period
Bank acceptance bills	1,031,388,834.62	
Commercial acceptance bills	_____	
Total	1,031,388,834.62	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VI) Prepayments***1. Prepayments stated by aging*

Aging	Closing balance		Balance at the end of last year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Within 1 year (inclusive)	19,634,808.26	84.49	35,845,068.77	87.42
1 to 2 years (inclusive)	2,185,295.59	9.40	1,204,139.61	2.94
2 to 3 years (inclusive)	257,981.44	1.11	179,395.57	0.44
Over 3 years	1,162,446.37	5.00	3,770,464.62	9.20
Total	23,240,531.66	100.00	40,999,068.57	100.00

2. At the end of the period, there were no significant prepayments aged more than one year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(VI) Prepayments (Continued)**

3. Top five prepayments according to closing balance of counterparties

Counterparties	Closing balance	Percentage of closing balance of total prepayments (%)
Anhui Electric Power Company Hefei Electric Power Supply Company (安徽省電力公司合肥供電公司)	7,878,109.17	33.90
Nanjing Huadong Electronics Group Co., Ltd.(南京華東電子進出口有限公司)	3,500,000.00	15.06
Changzhou Xinhan Intelligent Technology Co., Ltd.*(常州新韓智能科技有限公司)	1,680,000.00	7.23
Qinhuangdao Yaohua Glass Technology Development Co., Ltd.* (秦皇島耀華玻璃技術開發有限公司)	1,252,581.07	5.39
CNSG Anhui Hong Sifang Co., Ltd (中鹽安徽紅四方股份有限公司)	1,128,929.49	4.86
Total	<u>15,439,619.73</u>	<u>66.44</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables**

Item	Closing balance	Balance at the end of last year
Interests receivable		
Dividends receivable		
Other receivables	159,998,566.92	142,070,012.04
Total	<u>159,998,566.92</u>	<u>142,070,012.04</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables*

(1) Disclosed by aging

Aging	Closing balance	Balance at the end of last year
Within 1 year		
Including: 0 to 6 months (inclusive)	86,252,200.78	51,927,701.51
7 to 12 months (inclusive)	29,064,893.79	58,853,984.78
Subtotal within 1 year	115,317,094.57	110,781,686.29
1 to 2 years (inclusive)	37,578,572.44	22,910,836.74
2 to 3 years (inclusive)	2,569,650.04	10,235,515.28
Over 3 years	13,204,064.80	3,089,172.92
Subtotal	<u>168,669,381.85</u>	<u>147,017,211.23</u>
Less: allowances for bad debts	<u>8,670,814.93</u>	<u>4,947,199.19</u>
Total	<u><u>159,998,566.92</u></u>	<u><u>142,070,012.04</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

(2) Disclosed by category

Category	Book balance		Closing balance Allowance for bad debts		Carrying amount	Book balance		Balance at the end of last year Allowance for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Appropriation Proportion (%)		Amount	Proportion (%)	Amount	Appropriation Proportion (%)	
Allowance for bad debts is made on individual basis	261,217.37	0.15	261,217.37	100.00	261,217.37	0.18	261,217.37	100.00		
Allowance for bad debts is made on group basis	168,408,164.48	99.85	8,409,597.56	4.99	159,998,566.92	146,755,993.86	99.82	4,685,961.82	1.77	142,070,012.04
Including: By aging	14,104,326.80	8.37	8,064,226.56	57.18	6,040,100.24	13,658,648.99	9.29	4,340,610.82	13.71	9,318,036.17
By related parties	67,451,500.51	39.99			67,451,500.51	40,155,113.28	27.31			40,155,113.28
By deposits, margins and reserves	86,852,337.17	51.49	345,371.00	0.40	86,506,966.17	92,942,231.59	63.22	345,371.00	0.46	92,596,860.59
Total	168,669,381.85	100.00	8,670,814.93		159,998,566.92	147,017,211.23	100.00	4,947,199.19		142,070,012.04

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

1. Other receivables (Continued)

(2) Disclosed by category (Continued)

Allowance for bad debts made on individual basis:

Name	Book balance	Closing balance		Reasons for making allowance
		bad debts	Proportion (%)	
Court transfer	225,026.25	225,026.25	100.00	Unlikely to be recovered
Shaanxi Tiande Air Quality Improvement Co., Ltd. (陝西天德空氣品質改善有限公司)	29,400.00	29,400.00	100.00	Unlikely to be recovered
Guangzhou Yuegang Science and Technology Instrument Co., Ltd. (廣州粵港科藝儀器有限公司)	3,388.00	3,388.00	100.00	Unlikely to be recovered
Shanghai Kechuang Chemical Co., Ltd. (上海科創化工有限公司)	2,173.12	2,173.12	100.00	Unlikely to be recovered

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(2) Disclosed by category (Continued)

Allowance for bad debts made on individual basis:
(Continued)

Name	Closing balance			Reasons for making allowance
	Book balance	Allowance for bad debts	Proportion (%)	
Liaoyang Pharmaceutical Machinery Co., Ltd. (遼陽製藥機械股份有限公司)	630.00	630.00	100.00	Unlikely to be recovered
Xi'an Jiaotong University Fluid Compression National Engineering Center Xianyang Fan Factory (西安交大流體壓縮國家工程中心咸陽風機廠)	600.00	600.00	100.00	Unlikely to be recovered
Total	261,217.37	261,217.37		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(2) Disclosed by category (Continued)

Allowance for bad debts made on group basis:

Name	Other accounts receivable	Closing balance	
		Allowance for bad debts	Appropriation Proportion (%)
By aging	14,104,326.80	8,064,226.56	57.18
By related parties	67,451,500.51		
By deposits, margins and reserves	86,852,337.17	345,371.00	0.40
Total	<u>168,408,164.48</u>	<u>8,409,597.56</u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(2) Disclosed by category (Continued)

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

Name	Other accounts receivable	Closing balance	
		Allowance for bad debts	Appropriation proportion (%)
0 to 6 months (inclusive)	5,644,134.21		
7 to 12 months (inclusive)			
1 to 2 years (inclusive)	550,000.00	165,000.00	30.00
2 to 3 years (inclusive)	21,932.07	10,966.04	50.00
Over 3 years	<u>7,888,260.52</u>	<u>7,888,260.52</u>	<u>100.00</u>
Total	<u>14,104,326.80</u>	<u>8,064,226.56</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(2) Disclosed by category (Continued)

Items for which allowance is made on group basis:
by related parties

Name	Other accounts receivable	Closing balance	
		Allowance for bad debts	Appropriation proportion (%)
By related parties	67,451,500.51	_____	_____
Total	<u>67,451,500.51</u>	<u>_____</u>	<u>_____</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(2) Disclosed by category (Continued)

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

Name	Other accounts receivable	Closing balance	
		Allowance for bad debts	Appropriation proportion (%)
By deposits, margins and reserves	86,852,337.17	345,371.00	0.40
Total	<u>86,852,337.17</u>	<u>345,371.00</u>	<u>0.40</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

(3) Allowances for bad debts

Allowances for bad debts	Stage I ECL for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	4,685,981.82		261,217.37	4,947,199.19
Balance at the end of last year during the period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Provision in the period	3,751,029.32			3,751,029.32
Reversed in the period	27,413.58			27,413.58
Charged off in the period				
Written off in the period				
Other changes				
Closing balance	8,409,597.56		261,217.37	8,670,814.93

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(3) Allowances for bad debts

Change in book balance of other receivables is as follows:

	Stage I ECL for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Book balance				
Balance at the end of last year	146,755,993.86		261,217.37	147,017,211.23
Balance at the end of last year during the period				
- Transferred to Stage II				
- Transferred to Stage III				
- Reversed to Stage II				
- Reversed to Stage I				
Additions in the period	682,691,090.90			682,691,090.90
Written down directly in the period				
Derecognition in the period	661,038,920.28			661,038,920.28
Other changes				
Closing balance	168,408,164.48		261,217.37	168,669,381.85

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

1. Other receivables (Continued)

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

Category	Balance at the end of last year	Changes during the period		Closing balance
		Provision	Recovered or reversed	
Recognized allowances for bad debts for single item	261,217.37			261,217.37
Receivables with allowances for bad debts based on credit risk characteristics	4,685,981.82	3,751,029.32	27,413.58	8,409,597.56
Including: By aging	4,340,610.82	3,751,029.32	27,413.58	8,064,226.56
By related parties				
By deposits, margins and reserves	345,371.00			345,371.00
Total	4,947,199.19	3,751,029.32	27,413.58	8,670,814.93

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

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

The significant situation of provision for bad debt reversed or received in current period:

Name	The amount reversed or received	Basis of recognizing the original provision of bad debt and its rationality	Reasons for amount reversed or received	Receiving method
Other smaller summaries	<u>27,413.58</u>	On aging basis	Debt collection	Monetary payment
Total	<u><u>27,413.58</u></u>			

- (5) There are no actual accounts receivable written off during the period

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)**1. *Other receivables (Continued)*

(6) by nature

Nature	Closing carrying balance	Carrying balance at the end of last year
Deposits, margins and reserves	86,852,337.17	92,942,231.59
Amounts due from related parties	67,451,500.51	40,155,113.28
Other current amounts	14,365,544.17	13,919,866.36
Total	<u>168,669,381.85</u>	<u>147,017,211.23</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VII) Other receivables (Continued)***1. Other receivables (Continued)*

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

Name	Nature	Closing balance	Aging	Percentage of closing balance of total other receivables (%)	Closing balance of allowance for bad debts
SZYDLEWSKI BETEILIGUNGSGESELLSCHAFT UG (HAFTUNGSB)	guarantees	29,373,275.78	Within 1 years	17.41	
Hanzhong IRICO Jiarunze Mining Co., Ltd (漢中彩虹佳潤澤礦業有限公司)	Internal current amounts	22,421,859.36	Within 1 years	13.29	
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	guarantees	21,150,000.00	0-2 years	12.54	
China Electronics Commercial Financial Leasing Co., Ltd (中電通商融資租賃有限公司)	guarantees	18,541,064.49	0-5 years	10.99	
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	guarantees	14,500,000.00	0-2 years	8.60	
Total		<u>105,986,199.63</u>		<u>62.83</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VIII) Inventories***1. Categories of inventories*

Item	Closing balance			Balance at the end of last year		
	Book balance	Provision for impairment of inventories/ performance cost	Carrying Amount	Book balance	Provision for impairment of inventories/ performance cost	Carrying Amount
Raw materials	61,476,411.49	775,814.71	60,700,596.78	35,519,189.65	775,814.71	34,743,374.94
Goods in stock (finished goods)	127,452,775.77	1,121,636.02	126,331,139.75	89,118,151.78	1,274,060.08	87,844,091.70
Revolving materials and others	32,897,199.53	5,102,201.23	27,794,998.30	27,164,497.93	5,102,201.23	22,062,296.70
Semi-finished goods and work-in-process	3,395,611.34	58,912.50	3,336,698.84	7,238,186.68	58,912.50	7,179,274.18
Goods in transit	4,647,711.36	152,424.06	4,495,287.30	2,901,804.11		2,901,804.11
Total	229,869,709.49	7,210,988.52	222,658,720.97	161,941,830.15	7,210,988.52	154,730,841.63

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(VIII) Inventories (Continued)***2. Provision for impairment of inventories and provision for impairment of contract performance cost*

Item	Balance at the end of last year	Increase in the period		Decrease in the period		Closing balance
		Made	Others	Reversed or charged off	Others	
Raw materials	775,814.71					775,814.71
Goods in stock	1,274,060.08				152,424.06	1,121,636.02
Revolving materials and others	5,102,201.23					5,102,201.23
Semi-finished goods and work-in-process	58,912.50					58,912.50
Goods in transit			152,424.06			152,424.06
Total	7,210,988.52		152,424.06		152,424.06	7,210,988.52

Note: Goods in stock of provision for impairment of inventories were sold in the period, but the revenue from which has not been realised yet. The corresponding goods in stock, with its corresponding provision for impairment together, were transferred to goods in transit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(IX) Other current assets**

Item	Closing balance	Balance at the end of last year
Input VAT deductible	68,470,646.52	74,707,920.51
Deferred expenses	4,659,124.51	681,141.18
Prepaid enterprise income tax	3,382,044.69	3,140,102.54
Prepaid education surcharge	223.62	
Total	76,512,039.34	78,529,164.23

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(X) Long-term equity investments***1. Long-term equity investments classification*

Item	Balance at the beginning of the year	Increase for the period	Decrease for the period	Closing balance
Investment in joint ventures	35,411,684.42	24.94		35,411,709.36
Investments in associates	158,949,002.06	247,234.97		159,196,237.03
Subtotal	194,360,686.48	247,259.91		194,607,946.39
Less: provision for impairment of long-term equity investments	_____	_____	_____	_____
Total	<u>194,360,686.48</u>	<u>247,259.91</u>	<u>_____</u>	<u>194,607,946.39</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(X) Long-term equity investments (Continued)

1. Long-term equity investments classification (Continued)

Name of investees	Balance at the end of last year	Increase in investment	Decrease in investment	Increase/decrease in the period				Closing balance of impairment provision
				Investment gain or loss recognized under equity method	Adjustment to other comprehensive income	Other equity change	Distribution of cash dividend or profit	
1. Joint Venture								
Shenmu Caijing Photovoltaics Power Generation Co., Ltd. (神木彩景光伏發電有限公司)	35,411,684.42			24.94				35,411,709.36
Sub-total	35,411,684.42			24.94				35,411,709.36
2. Associate								
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司)	125,983,056.37			1,581,957.31				127,565,013.68
Hanzhong Jiarunze Mining Development Co., Ltd* (漢中佳潤澤礦業開發有限公司)	14,897,527.75			-1,377,259.70				13,520,268.05
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	11,825,858.09			21,502.70				11,847,360.79
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	3,303,723.21			2,177.38				3,305,900.59
IRICO New Energy (Changwu) Co., Ltd (長武彩虹新能源有限公司)	2,938,836.64			18,857.28				2,957,693.92
Sub-total	158,949,002.06			247,234.97				159,196,237.03
Total	194,360,686.48			247,259.91				194,607,946.39

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XI) Other investment in equity instruments***1. Details of other investment in equity instruments*

Item	Closing balance	Balance at the end of last year
IRICO Display Devices Co., Ltd.* (彩虹顯示器件股份有限公司)	161,313,068.88	148,577,826.60
Shaanxi Caihong Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公司)	102,194,716.20	102,767,095.46
Total	263,507,785.08	251,344,922.06

Note 1: There were 35,375,673 shares of IRICO Display Devices Co., Ltd.(the “**IRICO Display**”) held at the end of the period, and the stock price was RMB4.56 per share.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

2. Details of investment in non-trading equity instruments

Items	Dividend income recognized in the period	Accumulated Gains	Accumulated Losses	Reasons for		
				Amount of transferring to retained earnings from other comprehensive income	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.			219,148,417.44		Non-trading equity instrument investment	
Shaanxi IRICO Electronics Glass Co., Ltd.			721,541.61		Non-trading equity instrument investment	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XII) Fixed assets***1. Fixed assets and disposal of fixed assets*

Item	Closing balance	Balance at the end of last year
Fixed assets	1,564,906,821.43	1,622,009,349.95
Disposal of fixed assets	116,557.06	116,557.06
Total	<u>1,565,023,378.49</u>	<u>1,622,125,907.01</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(XII) Fixed assets (Continued)

2. Details of fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation equipment	Electronic device	Office equipment	Furnaces for glass substrates	Total
I. Original carrying amount							
(1) Balance at the end of last year	815,642,446.66	1,112,391,701.84	16,752,326.85	540,300,009.44	18,955,135.46	411,279,004.48	2,915,320,624.73
(2) Increase in the period		499,380.57	23,539.82	10,506,051.79	41,954.43		11,070,926.61
– Purchase		499,380.57	23,539.82	10,506,051.79	41,954.43		11,070,926.61
(3) Decrease in the period		586,915.38				104,122,114.90	104,709,030.28
– Disposal or retirement						104,122,114.90	104,122,114.90
– Others		586,915.38					586,915.38
(4) Closing balance	815,642,446.66	1,112,304,167.03	16,775,866.67	550,806,061.23	18,997,089.89	307,156,889.58	2,821,682,521.06
2. Accumulated depreciation							
(1) Balance at the end of last year	125,433,283.58	238,351,515.17	9,432,929.53	101,640,516.17	11,320,725.12	104,618,999.34	590,797,968.91
(2) Increase in the period	13,575,142.94	20,165,922.14	566,334.01	7,484,659.12	819,507.44	21,833,618.72	64,445,184.37
– Provision	13,575,142.94	20,165,922.14	566,334.01	7,484,659.12	819,507.44	21,833,618.72	64,445,184.37
(3) Decrease in the period						35,108,796.83	35,108,796.83
– Disposal or retirement						35,108,796.83	35,108,796.83
(4) Closing balance	139,008,426.52	258,517,437.31	9,999,263.54	109,125,175.29	12,140,232.56	91,343,821.23	620,134,356.45
3. Provision for impairment							
(1) Balance at the end of last year	3,126,964.80	289,179,084.74	3,154,148.48	233,876,874.69	1,175,360.31	172,000,872.85	702,513,305.87
(2) Increase in the period							
– Provision							
(3) Decrease in the period						65,871,962.69	65,871,962.69
– Disposal or retirement						65,871,962.69	65,871,962.69
(4) Closing balance	3,126,964.80	289,179,084.74	3,154,148.48	233,876,874.69	1,175,360.31	106,128,910.16	636,641,343.18
4. Carrying amount							
(1) Closing balance of carrying amount	673,507,055.34	564,607,644.98	3,622,454.65	207,804,011.25	5,681,497.02	109,684,158.19	1,564,906,821.43
(2) Carrying amount at the end of last year	687,082,198.28	584,861,101.93	4,165,248.84	204,782,618.58	6,459,050.03	134,659,132.29	1,622,009,349.95

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XII) Fixed assets (Continued)***3. Temporarily idle fixed assets*

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Machinery and equipment	109,496,786.41	15,972,910.89	85,276,318.01	8,247,557.51	
Motor vehicles	1,239,788.42	814,347.53	412,282.93	13,157.96	
Electronic devices	197,219,671.90	44,977,712.23	123,606,315.68	28,635,643.99	
Office equipment	2,902,157.27	2,244,067.78	571,024.72	87,064.77	
Total	310,858,404.00	64,009,038.43	209,865,941.34	36,983,424.23	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XII) Fixed assets (Continued)**

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

Item	Carrying amount	Reasons for having not to obtained the title of certificates
Buildings and structures	646,845,161.12	In progress

Note: The title of certificates of the above buildings and structures had been obtained in July 2020.

5. *Other explanation*

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

Period	Closing balance	Opening balance
Medium-term (10–50 years)	1,426,604,031.94	1,476,725,918.79
Short-term (within 10 years)	138,302,789.49	145,283,431.16

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XII) Fixed assets (Continued)***6. Disposal of fixed assets*

Item	Closing balance	Balance at the end of last year
Motor vehicles	22,061.82	22,061.82
Machinery and equipment	31,005.66	31,005.66
Electronic devices	63,489.58	63,489.58
Total	<u>116,557.06</u>	<u>116,557.06</u>

(XIII) Construction in progress*1. Construction in progress and construction materials*

Item	Closing balance	Balance at the end of last year
Construction in progress	820,233,059.56	791,768,042.42
Construction materials	—	—
Total	<u>820,233,059.56</u>	<u>791,768,042.42</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XIII) Construction in progress (Continued)**

2. Details of construction in progress

Item	Closing balance			Balance at the end of last year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Yan'an solar photovoltaic glass furnace(延安太陽能光伏玻璃窯爐)	651,357,408.21		651,357,408.21	637,912,024.44		637,912,024.44
Hefei photovoltaic glass construction project(合肥光伏玻璃建設項目)	104,586,944.01		104,586,944.01	90,602,892.48		90,602,892.48
Xianyang photovoltaic glass project (phase III)(咸陽光伏玻璃三期項目)	134,304,145.72	84,426,004.20	49,878,141.52	134,304,145.72	84,426,004.20	49,878,141.52
2GW solar photovoltaic modules production line project of Jiangsu Yongneng(江蘇永能2GW太陽能組件生產線項目)	3,083,699.58		3,083,699.58	2,957,273.96		2,957,273.96
Xianyang ancillary technical reconstruction project for cathode materials production line(咸陽正極材料生產線配套技改項目)	3,899,698.93		3,899,698.93	3,869,149.10		3,869,149.10
Ancillary reconstruction project for cathode materials technical update and automation(正極材料技術提升及自動化配套改造項目)	2,926,440.07		2,926,440.07	2,926,440.07		2,926,440.07

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XIII) Construction in progress (Continued)****2. Details of construction in progress (Continued)*

Item	Closing balance			Balance at the end of last year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Xianyang photovoltaic glass production line construction project (咸陽光伏玻璃生產線建設項目)	2,573,004.40		2,573,004.40	2,573,004.40		2,573,004.40
Environmental protection facilities construction projects (環保設施建設項目)	1,383,031.18		1,383,031.18	504,424.79		504,424.79
Others	544,691.66		544,691.66	544,691.66		544,691.66
Total	904,659,063.76	84,426,004.20	820,233,059.56	876,194,046.62	84,426,004.20	791,768,042.42

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(XIII) Construction in progress (Continued)

3. Movements of significant construction in progress for the period

Name of project	Budgeted amount	Balance at the end of last year	Increase for the period	Amount transferred to fixed Assets for the period	Other decreases for the period	Closing balance	Accumulated investment in project as a percentage of total budget	Project progress	Of which: amount accumulated of interest capitalized for the period	Interest capitalization rate for the period	Source of funds	
							(%)		(%)	(%)		
Yan'an solar photovoltaic glass furnace (延安太陽能光伏玻璃窯爐)	750,170,800.00	637,912,024.44	13,445,363.77			651,357,408.21	86.83	86.83	35,682,701.52	13,037,554.21	5.10	Self-raised funds
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期項目)	305,000,000.00	134,304,145.72				134,304,145.72	47.89	47.89	20,221,417.52			Self-raised funds
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	1,850,000,000.00	90,622,892.48	13,984,051.53			104,586,944.01	85.42	85.42	194,196,991.81			Self-raised funds and loans from financial institutions
Total	2,905,170,800.00	862,819,062.64	27,429,455.30			890,248,497.94			250,101,110.85	13,037,554.21		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XIV) Right-of-use assets**

Item	Buildings and structures	Office equipment and others	Transportation Tools	Total
1. Original carrying amount				
(1) Opening balance	17,629,108.06	121,798.46	116,728.17	17,867,634.69
(2) Increase for the period – Additional lease				
(3) Decrease for the period – Disposal				
(4) Closing balance	17,629,108.06	121,798.46	116,728.17	17,867,634.69
2. Accumulated depreciation				
(1) Opening balance	2,884,678.75	60,899.23	38,909.39	2,984,487.37
(2) Increase for the period – Provision	1,762,910.81	30,449.61	19,454.70	1,812,815.12
(3) Decrease for the period – Disposal	1,762,910.81	30,449.61	19,454.70	1,812,815.12
(4) Closing balance	4,647,589.56	91,348.84	58,364.09	4,797,302.49
3. Provision for impairment				
(1) Opening balance				
(2) Increase for the period – Provision				
(3) Decrease for the period – Disposal				
(4) Closing balance				
4. Carrying amount				
(1) Closing balance of carrying amount	12,981,518.50	30,449.62	58,364.08	13,070,332.20
(2) Opening balance of carrying amount	14,744,429.31	60,899.23	77,818.78	14,883,147.32

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(XV) Intangible assets

1. Details of intangible assets

Item	Land use rights	Patents	Trademarks	Software	Non-patent technologies	Total
1. Original carrying amount						
(1) Balance at the end of last year	276,502,034.42	1,376,000.00	45,850.00	2,377,002.03	19,582,500.00	299,883,386.45
(2) Increase for the period					24,915,390.59	24,915,390.59
– Internal R&D					24,915,390.59	24,915,390.59
(3) Decrease for the period						
– Disposal						
(4) Closing balance	276,502,034.42	1,376,000.00	45,850.00	2,377,002.03	44,497,890.59	324,798,777.04
2. Accumulated amortisation						
(1) Balance at the end of last year	34,122,910.42	1,376,000.00	37,825.92	2,328,681.20	19,549,166.67	57,414,584.21
(2) Increase for the period	2,782,437.96		1,910.40	7,433.94	1,071,474.63	3,863,256.93
– Provision	2,782,437.96		1,910.40	7,433.94	1,071,474.63	3,863,256.93
(3) Decrease for the period						
– Disposal						
(4) Closing balance	36,905,348.38	1,376,000.00	39,736.32	2,336,115.14	20,620,641.30	61,277,841.14
3. Provision for impairment						
(1) Balance at the end of last year						
(2) Increase for the period						
– Provision						
(3) Decrease for the period						
– Disposal						
– Invalid and derecognised						
(4) Closing balance						
4. Carrying amount						
(1) Closing balance of carrying amount	239,596,686.04		6,113.68	40,886.89	23,877,249.29	263,520,935.90
(2) Carrying amount at the end of last year	242,379,124.00		8,024.08	48,320.83	33,333.33	242,468,802.24

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XV) Intangible assets (Continued)**1. *Details of intangible assets (Continued)*

Note: Intangible assets generated from internal R&D of the Company accounted for 9.06% of the balance of intangible assets at the end of the period.

2. *There were no intellectual property of the Company with indefinite useful lives at the end of the reporting period*

3. *The Company did not have land use rights whose title of certificates had not been obtained at the end of the reporting period*

4. *Other explanation*

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

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Long term (No shorter than 50 years)	236,830,981.72	242,379,124.00
Short term (Shorter than 50 years but no shorter than 10 years)	26,689,954.18	89,678.24

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(XVI) Development expenditures

Item	Balance at the end of last year	Increase for the period		Decrease for the period			Closing balance	Time for commencement of capitalization	Specific basis of capitalization	Progress of research and development as at the end of the period
		Internal development expenditures	Others	Recognised as intangible assets	Charged to the current profit or loss	Others				
Method for manufacturing hydrophobic high nickel ternary cathode material		7,439,965.98					7,439,965.98	Development phase	Project report on the manufacturing method of hydrophobic high nickel ternary cathode material	50%
High-voltage single crystal ternary material and preparation method thereof		5,127,352.88					5,127,352.88	Development phase	Project report of high-voltage single crystal ternary material and its preparation method	50%
Development of NCM611 ternary material technologies	14,864,322.83			14,864,322.83						
Low temperature pressure sensitive silver paste technology development	10,051,067.76			10,051,067.76						
Total	24,915,390.59	12,567,318.86		24,915,390.59			12,567,318.86			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XVII) Goodwill***1. Movements in goodwill*

Names of investees or items resulting in goodwill	Balance as at the end of last year	Increase for the period		Decrease for the period		Closing balance
		By business combination	Others	Disposal	Others	
Original carrying amount	41,533,010.55					41,533,010.55
Jiangsu Yongneng New Energy Limited* (江蘇永能新能源有限公司)	41,533,010.55					41,533,010.55
Subtotal	41,533,010.55					41,533,010.55
Provision for impairment Jiangsu Yongneng New Energy Limited*	4,979,799.18					4,979,799.18
Subtotal	4,979,799.18					4,979,799.18
Carrying amounts	<u>36,553,211.37</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>36,553,211.37</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(XVII) Goodwill (Continued)

1. Movements in goodwill (Continued)

Note: 1. The Company acquired 30.00% equity interest in Jiangsu Yongneng at a cash consideration of RMB68,000,000 in March 2017. Together with the equity interest previously held by the Company, IRICO Yongneng was held as to 51.00% by the Company, which constitutes the business combination not under common control. RMB41,533,010.55 was recognized as goodwill.

2. As at 30 June 2020, goodwill obtained from business combination has been distributed to relevant asset group to undertake impairment testing. The recoverable amount of each asset group shall be calculated on the basis of management's business plan and adjusted discount rate. The cash flow after the forecast period shall be calculated in accordance with the steady growth rate and the final value.

Jiangsu Yongneng, a subsidiary of the Company, belongs to the photovoltaic industry. It applied a discount rate of 12.47% in 2020 and the forecast period. The growth rates ranged from 111% to 6% during the forecast period and the growth rate for the steady period was 0%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***(XVII) Goodwill (Continued)******1. Movements in goodwill (Continued)***

Note: 2. (Continued)

Key assumptions were used to calculate the present value of the estimated future cash flows of Jiangsu Yongneng on 30 June 2020. Details of the key assumptions made by the management when determining the cash flow estimates for the impairment test of goodwill are as follows:

Growth rate – the determination basis was based on the average growth rate of the historical operation results and the expectation on the market development.

Discount rate – the discount rate adopted was the discount rate before tax which reflected the specific risks of the photovoltaic industry.

The amount distributed to the key assumptions of the above-mentioned asset group shall be consistent with the historical experience of the Company and the external information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XVII) Goodwill (Continued)**1. *Movements in goodwill (Continued)*

Note: 2. (Continued)

The management analyzed the recoverable amount of each asset group according to the above assumptions.

At present, the estimate results of cash flows have exceeded the carrying amounts of relevant asset groups or sets of asset groups, but the subsequent estimate results of cash flows may change according to the future cash flows and the assumptions.

(XVIII) Long-term deferred expenses

Item	Balance at the end of last year	Increase for the period	Amortisation for the period	Other decreases	Closing balance
Decoration fees		3,027,830.19	50,463.84		2,977,366.35
Expansion of production capacity of battery materials	857,353.95		190,523.10		666,830.85
Total	<u>857,353.95</u>	<u>3,027,830.19</u>	<u>240,986.94</u>		<u>3,644,197.20</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XIX) Deferred tax assets and deferred tax liabilities***1. *Deferred tax assets before offsetting*

Item	Closing balance		Balance at the end of last year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	<u>11,290,247.90</u>	<u>1,693,537.19</u>	<u>10,454,803.07</u>	<u>1,568,220.47</u>
Total	<u><u>11,290,247.90</u></u>	<u><u>1,693,537.19</u></u>	<u><u>10,454,803.07</u></u>	<u><u>1,568,220.47</u></u>

2. *Deferred tax liabilities before offsetting*

Item	Closing balance		Balance at the end of last year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Assets revaluation increment from business combination not under common control	<u>4,191,769.00</u>	<u>628,765.35</u>	<u>4,242,406.73</u>	<u>636,361.01</u>
Total	<u><u>4,191,769.00</u></u>	<u><u>628,765.35</u></u>	<u><u>4,242,406.73</u></u>	<u><u>636,361.01</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XIX) Deferred tax assets and deferred tax liabilities (Continued)***3. *Breakdown of unrecognised deferred tax assets*

Item	Closing balance	Balance at the end of last year
Deductible temporary differences	1,036,966,261.00	1,108,506,631.61
Deductible tax losses	1,099,921,970.77	1,133,372,573.33
Total	<u>2,136,888,231.77</u>	<u>2,241,879,204.94</u>

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

Year	Closing balance	Balance at the end of last year	Notes
2020	267,946,528.38	323,481,694.98	
2021	43,788,203.01	43,788,203.01	
2022	384,122,955.80	384,122,955.80	
2023	125,017,691.51	125,017,691.51	
2024	256,962,028.03	256,962,028.03	
2025	22,084,564.04	_____	_____
Total	<u>1,099,921,970.77</u>	<u>1,133,372,573.33</u>	<u>_____</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XX) Other non-current assets**

Item	Closing balance			Balance at the end of last year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayments for equipment	<u>4,521,892.00</u>		<u>4,521,892.00</u>			
Total	<u><u>4,521,892.00</u></u>		<u><u>4,521,892.00</u></u>			

(XXI) Short-term borrowings*1. Categories of short-term borrowings*

Item	Closing balance	Balance at the end of last year
Guaranteed borrowings	433,753,731.70	389,260,642.94
Guaranteed and mortgaged borrowings	130,000,000.00	30,000,000.00
Pledged borrowings	113,141,399.17	147,131,587.50
Mortgaged borrowings	29,000,000.00	18,000,000.00
Guaranteed, pledged and mortgaged borrowings	<u>4,973,194.00</u>	
Total	<u><u>710,868,324.87</u></u>	<u><u>584,392,230.44</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXI) Short-term borrowings (Continued)***2. *Details of short-term borrowings*

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
China Construction Bank Corporation Hefei Chengdong Sub-branch (中 國建設銀行股份有限公司合肥城東 支行)	120,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集 團控股有限公司)
Hefei Science & Technology Rural Commercial Bank Co., Ltd Xinzhan Sub-branch (合肥科技農 村商業銀行股份有限公司新站支行)	65,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集 團控股有限公司)
Everbright Bank Xi'an Youyi Road Branch (光大銀行西安友誼路支行)	50,078,541.70	IRICO Group Corporation Limited* (彩虹集團有限公司),
China Guangfa Bank Hefei Feixi Branch (廣發銀行股份有限公司合 肥西分行)	50,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集 團控股有限公司)
Huishang Bank Corporation Limited* Hefei Technology Sub-branch (徽 商銀行股份有限公司合肥科技支行)	50,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集 團控股有限公司)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXI) Short-term borrowings (Continued)***2. Details of short-term borrowings (Continued)*

Guaranteed borrowings: (Continued)

Lender	Borrowing balance	Guarantor
Bank of Communications Co., Ltd., Xianyang Branch (交通銀行股份有 限公司咸陽分行)	30,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集 團控股有限公司)
China Everbright Bank Company Limited, Linquan Road Sub- branch (中國光大銀行股份有限公司 臨泉路支行)	29,021,250.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集 團控股有限公司)
Huaxia Bank Co., Ltd., Xixian New Area Branch (華夏銀行股份有限公 司西咸新區分行)	20,000,000.00	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., Xianyang Branch (上海浦東發展銀行股份有限公司咸 陽分行)	19,653,940.00	IRICO Group New Energy Company Limited (彩虹集團新能 源股份有限公司)
Total	<u>433,753,731.70</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXI) Short-term borrowings (Continued)**2. *Details of short-term borrowings (Continued)*

Guaranteed and mortgaged borrowings:

Lender	Borrowing balance	Pledge and guarantor
China Electronics Financial Co., Ltd. (中 國電子財務有限責任公 司)	100,000,000.00	Pledged with property and guaranteed by IRICO Group Corporation Limited* (彩虹集團 有限公司) at the same time
Jiangsu Zhangjiagang Rural Commercial Bank Co., Ltd (江蘇張 家港農村商業銀行股份 有限公司)	30,000,000.00	Pledged with fixed assets and guaranteed by IRICO Group Corporation Limited* (彩虹集團 有限公司) at the same time
Total	130,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXI) Short-term borrowings (Continued)***2. Details of short-term borrowings (Continued)*

Pledged borrowings:

Lender	Borrowing balance	Pledge
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	85,112,979.17	Pledged by the 35,375,673 shares held in IRICO Display Devices Co., Ltd.
China Zheshang Bank Co., Ltd. Xianyang Branch (浙商銀行股份有限 公司咸陽分行)	28,028,420.00	Pledge of bills
Total	113,141,399.17	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXI) Short-term borrowings (Continued)**2. *Details of short-term borrowings (Continued)*

Mortgaged borrowings:

Lender	Borrowing balance	Collateral
Industrial and Commercial Bank of China Limited Xianyang Caihong Sub-branch (中國工商銀行股份有 限公司咸陽彩虹支行)	15,000,000.00	Buildings and structures
Suzhou Bank Co., Ltd Zhangjiagang Sub-branch (蘇州銀行股份有限公 司張家港支行)	14,000,000.00	Property and land of Jiangsu Yongneng, ownership certificate no.: Su (2017) Zhangjiagang Real Estate Certificate No. 0040100.
Total	<u>29,000,000.00</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXI) Short-term borrowings (Continued)***2. Details of short-term borrowings (Continued)*

Guaranteed, pledged and mortgaged borrowings:

Lender	Borrowing balance	Pledge, collateral and guarantor
Yangzhou Baoying Investment Fund Partnership (Limited Partnership) (揚州保盈投資基金合夥企業(有限 合夥))	4,973,194.00	Equity, buildings, Yangzhou Chengcheng Construction Investment Co. LTD
Total	<u>4,973,194.00</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXII) Notes payable***

Type	Closing balance	Balance at the end of last year
Bank acceptance bills	774,174,235.54	609,456,870.22
Trade acceptance bills	8,490,522.20	43,500,682.49
Total	<u>782,664,757.74</u>	<u>652,957,552.71</u>

Note: At the end of the period, there were no notes payable due and not paid.

(XXIII) Accounts payable*1. Accounts payable by aging*

Item	Closing balance	Balance at the end of last year
Within 1 year (inclusive)	513,483,265.89	588,863,908.41
1-2 years (inclusive)	175,269,336.43	95,098,279.34
2-3 years (inclusive)	29,777,143.74	45,057,115.54
Over 3 years	27,663,127.39	31,356,211.23
Total	<u>746,192,873.45</u>	<u>760,375,514.52</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXIII) Accounts payable (Continued)***2. Significant accounts payable aged over 1 year*

Item	Closing balance	Reasons for outstanding or carried forward
Guangzhou Baiyun District Shijing Special Refractory Factory (廣州市白雲區石井特種耐火材料廠)	11,718,543.11	Haven't been collected by the counterparties yet
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	6,059,591.97	Haven't been collected by the counterparties yet
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	5,906,755.39	Haven't been collected by the counterparties yet
South Glass Technology Co., Ltd (廣東索奧斯玻璃技術有限公司)	5,552,136.75	Haven't been collected by the counterparties yet
Yunnan Tin Trading (Shanghai) Company Limited (雲錫貿易(上海)有限公司)	5,396,566.00	Haven't been collected by the counterparties yet
Shaanxidaxing METALS&MINERALS Trading Co., Ltd. (陝西達興五礦貿易有限公司)	4,474,831.04	Haven't been collected by the counterparties yet
LUSTER LightTech Group Co., Ltd. (凌雲光技術集團有限責任公司)	3,805,818.96	Haven't been collected by the counterparties yet

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

*(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXIII) Accounts payable (Continued)*****2. Significant accounts payable aged over 1 year
(Continued)**

Item	Closing balance	Reasons for outstanding or carried forward
Siping Hongda Hydraulic Machinery Manufacturing Co., Ltd. (四平宏大液壓機械製造有限公司)	3,654,393.20	Haven't been collected by the counterparties yet
Skyworth Group Co., Ltd, Shenzhen Branch (創維集團有限公司深圳分公司)	3,502,023.72	Haven't been collected by the counterparties yet
No.9 Metallurgical Construction Co., Ltd. (九冶建設有限公司)	3,015,923.61	Haven't been collected by the counterparties yet
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	3,014,244.62	Haven't been collected by the counterparties yet
Shanghai Precision Dosing & Weighing System Co., Ltd. (上海普利森配料系統有限公司)	2,802,000.00	Haven't been collected by the counterparties yet
Tianshui Changcheng Switchgear Co., Ltd. (天水長城開關廠有限公司)	2,740,599.26	Haven't been collected by the counterparties yet

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXIII) Accounts payable (Continued)****2. Significant accounts payable aged over 1 year
(Continued)**

Item	Closing balance	Reasons for outstanding or carried forward
Xingping Xieli Materials Co. LTD (興平市協力物資有限公司)	2,467,726.73	Haven't been collected by the counterparties yet
Bengbu Triumph Engineering Technology Co., Ltd (蚌埠凱盛工程技術有限公司)	2,246,025.64	Haven't been collected by the counterparties yet
Shanxi Lu'an Solar Energy Technology Co., Ltd. (山西瀋安太陽能科技有限責任公司)	2,052,366.37	Haven't been collected by the counterparties yet
Beijing Wisdom Communication Technology Co., Ltd. (北京智新通科技有限公司)	2,040,787.88	Haven't been collected by the counterparties yet
Susheng Technology (Wuxi) Co., Ltd. (蘇聖科技(無錫)有限公司)	2,020,908.00	Haven't been collected by the counterparties yet
Guodian Zhaojing Optoelectronics Technology Jiangsu Co., Ltd.(國電兆晶光電科技江蘇有限公司)	1,933,893.08	Haven't been collected by the counterparties yet
Luoyang Mountain Intelligent Equipment Co., Ltd (洛陽名特智慧設備股份有限公司)	1,524,000.00	Haven't been collected by the counterparties yet
Total	<u>75,929,135.33</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXIII) Accounts payable (Continued)****3. Accounts payable by nature*

Item	Closing balance	Balance at the end of last year
Payables for materials	494,145,742.35	447,692,393.86
Payables for equipment	131,625,147.05	135,327,683.41
Payables for services	41,281,528.14	41,405,795.22
Payables for supplies	39,840,870.19	12,134,647.81
Payables for construction	15,281,207.28	115,051,988.61
Payables for transportation	712,079.56	785,915.90
Others	23,306,298.88	7,977,089.71
Total	746,192,873.45	760,375,514.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXIV) Contract liabilities**1. *Contract liabilities*

Item	Closing balance	Balance at the end of last year
Payment for goods	38,165,597.72	45,545,512.30
Total	<u>38,165,597.72</u>	<u>45,545,512.30</u>

2. *Significant change in book value during the reporting period and reasons therefore*

Item	Changes	Reasons for the change
Payment for goods	-7,379,914.58	Revenue recognized for the period
Total	<u>-7,379,914.58</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXV) Employee benefits payable***1. *Employee benefits payable is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Short-term benefits	16,038,797.17	80,255,870.85	85,634,228.60	10,660,439.42
Post-employment benefits – defined contribution scheme	137,073.97	1,634,248.95	1,710,172.10	61,150.82
Termination benefits	807,606.17			807,606.17
Other welfares due within one year				
Total	16,983,477.31	81,890,119.80	87,344,400.70	11,529,196.41

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXV) Employee benefits payable (Continued)***2. Short-term benefits is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
(1) Salaries, bonuses, allowance and subsidies	4,297,602.72	66,451,277.07	67,650,780.80	3,098,098.99
(2) Staff welfare	4,796,524.32	5,237,477.42	9,695,064.44	338,937.30
(3) Social insurance	109,330.29	3,527,100.63	3,635,508.70	922.22
Including: Medical insurance	109,330.29	2,997,559.84	3,106,040.77	849.36
Work-related injury insurance		225,034.83	224,994.35	40.48
Maternity insurance		304,505.96	304,473.58	32.38
(4) Housing provident fund	42,124.45	3,750,461.81	3,707,672.37	84,913.89
(5) Labour union expenses and employee education expenses	6,793,215.39	1,289,553.92	945,202.29	7,137,567.02
(6) Short-term paid absences				
(7) Short-term profit sharing plan				
Total	16,038,797.17	80,255,870.85	85,634,228.60	10,660,439.42

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXV) Employee benefits payable (Continued)***3. *Defined contribution scheme is shown as follows*

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	107,330.42	1,579,069.87	1,650,933.65	35,466.64
Unemployment insurance	29,743.55	55,179.08	59,238.45	25,684.18
Annuity	—	—	—	—
Total	137,073.97	1,634,248.95	1,710,172.10	61,150.82

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVI) Taxes payable***

Tax item	Closing balance	Balance at the end of last year
Enterprise income tax	4,618,439.36	5,052,251.01
Real estate tax	2,809,321.83	2,808,933.91
Urban maintenance and construction tax	1,634,562.47	1,744,884.82
Land use tax	1,289,540.35	1,289,540.37
Environmental protection tax	694,048.33	446,418.60
Individual income tax	599,433.35	775,312.74
Water conservancy construction funds	164,048.20	139,451.19
Stamp duty	105,293.92	201,180.19
Education surcharge	37,485.28	116,508.68
Value-added tax	_____	4,310.68
Total	<u>11,952,173.09</u>	<u>12,578,792.19</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXVII) Other payables**

Item	Closing balance	Balance at the end of last year
Interests payable		
Dividends payable	19,689,811.54	19,689,811.54
Other payables	1,368,742,622.06	1,554,446,408.74
Total	1,388,432,433.60	1,574,136,220.28

1. Dividends payable

Item	Closing balance	Balance at the end of last year
Dividends of ordinary shares	19,689,811.54	19,689,811.54
Total	19,689,811.54	19,689,811.54

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXVII) Other payables (Continued)**1. *Dividends payable (Continued)*

Unpaid dividends payable over 1 year:

Item	Amounts payable	Reason for unsettlement
Yongneng Photoelectricity Holding Company Limited* (永能光電控股有限公司)	11,808,897.39	Haven't been collected by the counterparties yet
Suzhou Yongjin Investment Co., Ltd.* (蘇州永金投資有限公司)	4,024,947.65	Haven't been collected by the counterparties yet
Suzhou Huilian Solar Energy Technology Co., Ltd.* (蘇州惠利安太陽能科技有限公司)	3,855,966.50	Haven't been collected by the counterparties yet
Total	19,689,811.54	

Note: The unpaid dividends payable over one year was RMB19,689,811.54, which was the dividend of minority shareholders payable by the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVII) Other payables (Continued)****2. Other payables**(1) Stated by nature*

Item	Closing balance	Balance at the end of last year
Amounts due to related parties	924,157,760.68	1,040,828,059.01
Loans from non-financial institutions and interest thereon	331,092,733.24	331,092,733.34
Other current account	87,488,407.82	172,026,230.95
Retention money and deposits	6,377,778.56	5,080,209.77
Amounts due to employees	4,114,326.61	5,419,175.67
Total	<u>1,368,742,622.06</u>	<u>1,554,446,408.74</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXVII) Other payables (Continued)**4. *Other payables (Continued)*

(2) Other major payables aged more than one year

Item	Closing balance	Reasons for outstanding or carried forward
Yan'an Dingyuan Investment Co., Ltd.* (延安市鼎源投資有限責任公司)	300,000,000.00	Haven't been collected by the counterparties yet
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司)	99,927,674.25	Haven't been collected by the related party yet
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	42,652,778.11	Haven't been collected by the related party yet
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	10,406,022.65	Haven't been collected by the related party yet
Total	452,986,475.01	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVIII) Non-current liabilities due within one year***

Item	Closing balance	Balance at the end of last year
Long-term payables due within one year:	415,378,909.24	394,217,469.08
Long-term borrowings due within one year:	132,380,880.99	141,104,396.72
Lease liabilities due within one year	4,562,866.78	4,639,378.38
Less: Amortized sale-and-lease back service payments due within one year	6,197,100.03	6,927,600.00
 Total	 546,125,556.98	 533,033,644.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVIII) Non-current liabilities due within one year (Continued)***

Explanations on long-term payables due within one year:

Lender	Borrowing balance	Collateral and guarantor
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	113,994,205.85	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	90,300,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有限公司)
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	76,984,703.39	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
AVIC International Leasing Co., Ltd. (中航國際租賃有限公司)	46,000,000.00	Construction in progress/IRICO Group Corporation Limited* (彩虹集團有限公司)
Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司)	31,600,000.00	Fixed assets/IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

Explanations on long-term payables due within one year:
(Continued)

Lender	Borrowing balance	Collateral and guarantor
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	31,500,000.00	Construction in progress assets/IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司), IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	17,000,000.00	Construction in progress/IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司), IRICO (Hefei) Photovoltaic Co., Ltd (彩虹(合肥)光伏有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)*
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	8,000,000.00	Construction in progress/IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司), IRICO (Hefei) Photovoltaic Co., Ltd (彩虹(合肥)光伏有限公司)
Total	<u>415,378,909.34</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXVIII) Non-current liabilities due within one year (Continued)***

Explanations on long-term borrowings due within one year:

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
Chang'an Bank Limited Xianyang Caihong Sub-branch (長安銀行股份有限公司咸陽彩虹支行)	72,415,480.99	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Hefei Science & Technology Rural Commercial Bank Co., Ltd. Xinzhan Sub-branch (合肥科技農村商業銀行股份有限公司新站支行)	36,018,600.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Bohai Bank Co., Ltd. Nanjing Branch (渤海銀行股份有限公司南京分行)	10,000,000.00	IRICO Group Corporation Limited* (彩虹集團有限公司), IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Anhui She County Rural Commercial Bank Co., Ltd. (安徽歙縣農村商業銀行股份有限公司)	7,564,700.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Anhui Xiuning Rural Commercial Bank Co., Ltd. (安徽休寧農村商業銀行股份有限公司)	3,782,100.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Huaxia Bank Co., Ltd. Xi'an Branch (華夏銀行股份有限公司西安分行)	200,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	<u>129,980,880.99</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

The remaining RMB2.40 million long-term loans due within one year are credit loans.

(XXIX) Other current liabilities

Item	Closing balance	Balance at the end of last year
Output tax	5,646,868.33	6,675,591.27
Total	5,646,868.33	6,675,591.27

(XXX) Long-term borrowings

Classification of Long-term borrowings:

Item	Closing balance	Balance at the end of last year
Guaranteed loans	267,202,750.00	130,021,800.00
Pledged loans	19,000,000.00	
Credit loans	1,100,000.00	2,300,000.00
Total	287,302,750.00	132,321,800.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

Explanations on classification of long-term borrowings:

Guaranteed borrowings:

Lender	Borrowing balance	Guarantor
Chang'an Bank Limited Xianyang Caihong Sub-branch (長安銀行股份有限公司咸陽 彩虹支行)	198,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
China Bohai Bank Co., Ltd. Nanjing Branch (渤海銀行股份有限公司南京分行)	21,000,000.00	IRICO Group Corporation Limited* (彩虹集 團有限公司), IRICO Group New Energy Company Limited (彩虹集團新能源股份 有限公司)
Chang'an Bank Limited Xianyang Caihong Sub-branch (長安銀行股份有限公司咸陽 彩虹支行)	20,000,000.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Hefei Science & Technology Rural Commercial Bank Co., Ltd. Xinzhan Sub-branch (合肥科技農村商業銀行股份有 限公司新站支行)	11,101,900.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Huaxia Bank Co., Ltd. Xi'an Branch (華夏銀行股份有限公司西安分行)	9,700,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Anhui She County Rural Commercial Bank Co., Ltd. (安徽歙縣農村商業銀行股份有限公司)	4,934,800.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Anhui Xiuning Rural Commercial Bank Co., Ltd. (安徽休寧農村商業銀行股份有限公司)	2,466,050.00	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司)
Total	<u>267,202,750.00</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXX) Long-term borrowings (Continued)**

Pledged borrowings:

Lender	Borrowing balance	Pledge
Bank of Xi'an Xianyang Branch Co., Ltd. Xianyang Branch (西安銀行股份有限公司咸陽分行)	19,000,000.00	Fixed deposit receipt
Total	19,000,000.00	

(XXXI) Lease liabilities

Item	Closing balance	Balance at the end of last year
Lease payment	9,511,635.42	17,161,453.69
Less: Unrecognized financing expenses	711,410.94	6,499,946.78
Total	8,800,224.48	10,661,506.91

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXII) Long-term payables***

Item	Closing balance	Balance at the end of last year
Long-term payables	220,658,352.73	213,076,889.47
Special payables	_____	_____
Total	<u>220,658,352.73</u>	<u>213,076,889.47</u>

1. Long-term payables

Item	Closing balance	Balance at the end of last year
Financing leases payments payable	224,421,779.60	221,201,980.67
Including: unrealized financing costs	<u>-3,763,426.87</u>	<u>-8,125,091.20</u>
Total	<u>220,658,352.73</u>	<u>213,076,889.47</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XXXII) Long-term payables (Continued)**

1. Long-term payables (Continued)

Explanation on long-term payables:

Lender	Borrowing balance	Collateral/guarantor
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	107,155,112.92	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)
AVIC International Leasing Co., Ltd. (中航國際租賃有限公司)	35,500,000.00	Construction in progress/IRICO Group Corporation Limited* (彩虹集團有限公司)
Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司)	27,600,000.00	Fixed assets/IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	26,666,666.68	Fixed assets/Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司), IRICO Group Corporation Limited* (彩虹集團有限公司)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XXXII) Long-term payables (Continued)**1. *Long-term payables (Continued)*

Explanation on long-term payables: (Continued)

Lender	Borrowing balance	Collateral/guarantor
China Electronics Commercial Financial Leasing Co., Ltd. (中電通 商融資租賃有限公司)	22,500,000.00	Fixed assets/IRICO Group Corporation Limited* (彩虹集團有限公司)
International Far Eastern Leasing Co., Ltd* (遠東國 際租賃有限公司)	4,000,000.00	Fixed assets/IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司), Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股 有限公司), IRICO Group New Energy Company Limited (彩虹集團新能源股份有 限公司)
International Far Eastern Leasing Co., Ltd* (遠東國 際租賃有限公司)	1,000,000.00	Construction in progress/IRICO Group New Energy Company Limited (彩虹集 團新能源股份有限公司), IRICO (Hefei) Photovoltaic Co., Ltd (彩虹(合肥)光伏有 限公司)
Total	<u>224,421,779.60</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

Item	Closing balance	Balance at the end of last year
Termination benefits	<u>7,961,606.19</u>	<u>9,537,743.87</u>
Total	<u><u>7,961,606.19</u></u>	<u><u>9,537,743.87</u></u>

(XXXIV) Deferred income

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance	Source
Government grants	<u>70,110,797.81</u>	<u> </u>	<u>983,356.96</u>	<u>69,127,440.85</u>	
Total	<u><u>70,110,797.81</u></u>	<u><u> </u></u>	<u><u>983,356.96</u></u>	<u><u>69,127,440.85</u></u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

Items in relation to government grants:

Liabilities	Balance at the end of last year	New grants during the period	Amount included	Other changes	Closing balance	Related to assets/related to income
			in profit or loss during the period			
Local incentive fund	64,017,712.56		775,348.92		63,242,363.64	Related to assets
Special project on solar photovoltaic and semiconductor lighting development in Shaanxi Province	4,640,000.00		100,000.00		4,540,000.00	Related to assets
Special government grants	<u>1,453,085.25</u>		<u>108,008.04</u>		<u>1,345,077.21</u>	Related to assets
Total	<u>70,110,797.81</u>	<u></u>	<u>983,356.96</u>		<u>69,127,440.85</u>	

(XXXV) Share capital

Item	Balance at the end of last year	Issue of new shares	Increase/(decrease) (+, -) for the period			Subtotal	Closing balance
			Bonus issue	Shares transferred from reserve	Others		
Total	2,232,349,400.00					2,232,349,400.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXVI) Capital reserve***

Item	Balance at the end of last year	Increase for the period	Decrease for the period	Closing balance
Capital premium				
(Share premium)	559,458,789.57			559,458,789.57
Other capital reserve	<u>384,072,654.53</u>			384,072,654.53
Total	<u>943,531,444.10</u>			943,531,444.10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

Item	Balance at the end of last year	Amount before income tax for the period	Amount for the period		Less: Income tax	Attributable to the Company after tax	Attributable to minority interests after tax	Closing balance
			Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income	Less: Amount transferred to retained profit for the period for those previously included in other comprehensive income				
1. Other comprehensive income that will not be reclassified to profit or loss	-232,032,822.07	12,162,863.02				12,162,863.02		-219,869,959.05
Including: Changes in fair value of investments in other equity instruments	-232,032,822.07	12,162,863.02				12,162,863.02		-219,869,959.05
2. Other comprehensive income that will be reclassified to profit or loss	550,823.49		550,823.49			-550,823.49		
Including: Exchange differences from translation of foreign currency financial statements	550,823.49		550,823.49			-550,823.49		
Total other comprehensive income	<u>-231,481,998.58</u>	<u>12,162,863.02</u>	<u>550,823.49</u>	<u></u>	<u></u>	<u>11,612,039.53</u>	<u></u>	<u>-219,869,959.05</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*(XXXVIII) Surplus reserve*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XXXIX) Undistributed profits***

Item	Amount for period	Amount for the previous period
Undistributed profits at end of last year before adjustment	-2,778,892,693.43	-2,872,034,688.32
Adjustment for undistributed profits at beginning of year (“+” for plus; “-” for less)		
Undistributed profits at beginning of year after adjustment	-2,778,892,693.43	-2,872,034,688.32
Add: Net profit attributable to owners of the Company during the period	41,552,057.38	45,137,061.38
Less: Withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserve		
Dividend payable on ordinary shares		
Ordinary shares dividends transferred to share capital		
Undistributed profits at end of period	-2,737,340,636.05	-2,826,897,626.94

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XL) Operating revenue and operating costs****1. Information on operating revenue and operating costs*

Item	Amount for period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Principal businesses	985,023,138.35	799,869,982.31	1,046,460,038.35	953,041,269.46
Other businesses	18,370,144.62	12,969,427.19	40,686,697.75	34,377,014.81
Total	<u>1,003,393,282.97</u>	<u>812,839,409.50</u>	<u>1,087,146,736.10</u>	<u>987,418,284.27</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XL) Operating revenue and operating costs (Continued)****1. Information on operating revenue and operating costs (Continued)*

Details of operating revenue:

Item	Amount for the period	Amount for the previous year
Sub-total of revenue from principal businesses:	985,023,138.35	1,046,460,038.35
Photovoltaic glass	592,796,949.06	630,405,748.67
New materials	289,400,372.19	201,524,257.61
Solar cells and components	89,532,385.89	202,456,367.28
Revenue from power generation	13,293,431.21	11,309,513.84
Trading and others		764,150.95
Sub-total of revenue from other businesses:	18,370,144.62	40,686,697.75
Sales of materials	8,336,423.90	29,142,398.66
Premises leasing	5,206,797.90	5,126,256.39
Sales of scraps	1,145,685.04	1,443,087.71
Others	3,681,237.78	4,974,954.99
Total	<u>1,003,393,282.97</u>	<u>1,087,146,736.10</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(XL) Operating revenue and operating costs (Continued)**

2. Revenue from contract

Revenue by segment reporting	Solar photovoltaic and module business	New materials business	Others	Intersegment eliminations	Total
Principal operating revenue	695,622,766.16	289,400,372.19			985,023,138.35
Other operating revenue			18,370,144.62		18,370,144.62
Total	695,622,766.16	289,400,372.19	18,370,144.62		1,003,393,282.97

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XL) Operating revenue and operating costs (Continued)****3. Revenue from Geographical information*

	Amount for the period	Amount for the previous year
The PRC (excluding Hong Kong)	930,957,706.14	1,057,316,517.64
Hong Kong		
Other countries	<u>72,435,576.83</u>	<u>29,830,218.46</u>
Total	<u><u>1,003,393,282.97</u></u>	<u><u>1,087,146,736.10</u></u>

4. Information about major customers

During January to June 2020, the Group has no customer (2019: none) which individually represented over 10% of the Group's total external sales.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(XL) Operating revenue and operating costs (Continued)

5. *Performance obligation*

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XL) Operating revenue and operating costs (Continued)******5. Performance obligation (Continued)***

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

(XLI) Taxes and surcharges

Item	Amount for the period	Amount for the previous period
Real estate tax	3,112,673.52	2,764,747.72
Land use tax	934,163.02	1,010,575.80
Water conservancy construction funds	679,405.14	604,568.59
Urban maintenance and construction tax	83,476.88	277,894.60
Education surcharge	80,808.85	198,496.08
Stamp duty and others	1,029,610.41	572,211.85
Total	5,920,137.82	5,428,494.64

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLII) Selling expenses***

Item	Amount for the period	Amount for the previous period
Transportation expenses	30,747,098.55	27,769,160.23
Payroll	2,516,608.96	2,503,740.96
Commission fees	657,051.99	635,651.11
Traveling expenses	557,950.02	757,049.05
Advertising and promotion expenses	135,045.25	432,121.35
Entertainment expenses	147,686.77	265,989.51
Consultancy expenses	30,245.58	77,900.74
Others	1,078,921.65	665,553.74
Total	35,870,608.77	33,107,166.69

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLIII) Administrative expenses***

Item	Amount for period	Amount for the previous period
Repair maintenance expenses	15,026,394.95	12,479,704.12
Loss on shutdown	14,099,392.77	14,018,098.36
Payroll	13,331,459.85	9,891,437.68
Depreciation	10,152,164.03	10,091,074.26
Amortisation of intangible assets	3,860,964.45	2,841,369.90
Insurance	2,804,976.31	323,980.74
Property management expenses	1,029,677.22	497,131.31
Traveling expenses	454,760.72	819,007.95
Consultancy expenses	372,483.44	337,813.12
Lease fees	318,434.86	2,106,864.01
Office expenses	289,520.64	481,289.97
Entertainment fees	143,389.37	269,334.19
Utility fees	20,944.37	220,070.08
Testing fees	5,751.61	749,310.58
Others	4,006,294.12	3,449,131.99
Total	<u>65,916,608.71</u>	<u>58,575,618.26</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLIV) Research and development expenses***

Item	Amount for period	Amount for the previous period
Materials costs	14,486,082.41	11,478,447.43
Payroll	6,485,766.71	7,384,852.44
Power expenses	6,240,502.06	3,619,816.84
Development and manufacture expenses for mould and technical equipment	3,193,266.15	126,738.25
Depreciation	157,645.93	172,534.20
Others	146,363.73	217,935.22
Total	30,709,626.99	23,024,159.76

(XLV) Finance costs

Item	Amount for period	Amount for the previous period
Interest expenses	45,629,079.90	44,795,136.31
Including: Interest expenses for lease liabilities	345,553.41	534,724.82
Less: Interest income	1,672,424.92	1,182,048.30
Exchange losses or gains	-686,195.31	-1,185,013.02
Handling fee and other	5,885,917.74	9,959,614.86
Total	49,156,377.41	52,387,689.85

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(XLVI) Other incomes**

Item	Amount for period	Amount for the previous period
Subsidies for shutdown of furnaces by Xianyang Photovoltaic	10,140,000.00	95,107,400.00
Government incentives	13,302,512.69	10,624,036.00
Fees generated from withholding an individual income tax	<u>3,569.42</u>	<u> </u>
Total	<u>23,446,082.11</u>	<u>105,731,436.00</u>

Government grants included in other incomes:

Item	Amount for the period	Amount for the previous period	Related to assets/Related to income
Subsidy for stabilizing employment	5,119,503.76		Related to income
Cash out of subsidy policy for photovoltaic power station sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in 2019	3,144,367.50	1,769,745.00	Related to income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

Government grants included in other incomes: (Continued)

Item	Amount for the period	Amount for the previous period	Related to assets/Related to income
Green Ecological Development Project in the category of "Post-Reward and Supplement" in 2019	1,000,000.00		Related to income
Local government incentives	775,348.92	775,348.92	Related to assets
Replenishment of the awards for the "Big Enterprise Upgrading" Project in 2019	500,000.00		Related to income
Sales Incentives for Over-production in Local Finance Department of Qindu District Finance Bureau	300,000.00		Related to income
Refund of work related injury insurance	149,397.85		Related to income
Technology insurance subsidies	100,000.00		Related to income
Special project on solar photovoltaic and semiconductor lighting development in Shaanxi Province	100,000.00		Related to assets
Other small sums	367,494.66	6,878,942.08	Related to assets/ Related to income
Total	13,302,512.69	10,624,036.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLVII) Investment gains***

Item	Amount for the period	Amount for the previous period
Long-term equity investment gains measured under equity method	247,259.91	559,226.09
Investment gains from disposal of long-term equity investment	550,823.49	
Investment income from disposal of financial assets at fair value through profit and loss of the period	494,519.57	358,344.24
Bills discounted interest	-3,852,474.31	-1,908,103.12
Income from derecognition of financial asset at amortized cost	-6,067,443.94	
Total	-8,627,315.28	-990,532.79

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XLVIII) Gains from changes in fair value***

The source of gains from changes in fair value	Amount for period	Amount for the previous period
Held-for-trading financial assets	<u>-134,778.28</u>	<u>39,390.82</u>
Total	<u>-134,778.28</u>	<u>39,390.82</u>

(XLIX) Credit impairment losses

Item	Amount for period	Amount for the previous period
Losses on bad debts of accounts receivable	<u>-2,828,585.40</u>	<u>1,375,283.46</u>
Losses on bad debts of other receivables	<u>3,723,615.74</u>	<u></u>
Total	<u>895,030.34</u>	<u>1,375,283.46</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(L) Gains from disposal of assets**

Item	Amount for period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains from disposal of fixed assets	9,168,379.05		9,168,379.05
Total	9,168,379.05	_____	9,168,379.05

(LI) Non-operating income

Item	Amount for period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Insurance compensation ^{note 1}	4,670,000.00		4,670,000.00
Forfeiture and penalty income	3,870.20	8,770.60	3,870.20
Others ^{note 2}	4,810,744.40	20,016.70	4,810,744.40
Total	9,484,614.60	28,787.30	9,484,614.60

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(LI) Non-operating income (CONTINUED)**

Note: 1. Ping An Property & Casualty Insurance Company of China, Ltd. has paid the insurance compensation of RMB4.67 million because the sensitivity of photoresists of the products supplied by IRICO New Material, a subsidiary of the Company, cannot meet users' requirements;

2. The payables for supplies of RMB4.74 million by the Company to Xianyang Caiqin Electronics Device Co., Ltd. which has been canceled, was transferred to non-operating income in accordance with the legal opinions issued by lawyers and the approval by the Board of the Company.

(LII) Non-operating expenses

Item	Amount for period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Penalty expenses	2,185.32	500.00	2,185.32
Losses on destroy or scrap of non-current assets		76,333.93	
Delinquency charges		14,618.43	
Others	4,013.96	33,289.76	4,013.96
Total	6,199.28	124,742.12	6,199.28

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIII) Income tax expenses***1. *List of income tax expenses*

Item	Amount for period	Amount for the previous period
Income tax expenses for the current period	2,098,576.17	-901,022.74
Deferred income tax expenses	-132,912.38	-199,392.26
Total	<u>1,965,663.79</u>	<u>-1,100,415.00</u>

2. *Adjustment of accounting profit and income tax expenses*

Item	Amount for period
Total profit	35,416,266.35
Income tax expenses calculated based on the statutory/applicable tax rate	5,312,439.95
Impact of different applicable tax rates to subsidiaries	-5,422,984.23
Impact of non-taxable income	-1,247,246.90
Impact of cost, expenses and losses not deductible for tax	<u>3,323,454.97</u>
Income tax expenses	<u>1,965,663.79</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LIV) Earnings per share**1. *Basic earnings per share*

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

Item	Amount for the period	Amount for the previous period
Consolidated net profit attributable to holders of ordinary shares of the parent company	41,552,057.38	45,137,061.38
Weighted average number of ordinary shares in issue of the Company	2,232,349,400.00	2,232,349,400.00
Basic earnings per share	0.0186	0.0202
Including: Basic earnings per share relating to continuing operations	0.0186	0.0202
Basic earnings per share relating to discontinued operations		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIV) Earnings per share (Continued)****1. Basic earnings per share (Continued)*

The weighted average of ordinary shares is calculated as follows:

Item	Amount for the period	Amount for the previous period
Number of ordinary shares in issue at the beginning of year	2,232,349,400.00	2,232,349,400.00
Add: Weighted average number of ordinary shares issued during the period		
Less: Weighted average number of ordinary shares repurchased during the period		
Weighted average number of ordinary shares in issue at the end of year	2,232,349,400.00	2,232,349,400.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIV) Earnings per share (Continued)******2. Diluted earnings per share***

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

Item	Amount for the period	Amount for the previous period
Consolidated net profit attributable to holders of ordinary shares of the parent company (diluted)	41,552,057.38	45,137,061.38
Weighted average number of ordinary shares in issue of the Company (diluted)	2,232,349,400.00	2,232,349,400.00
Diluted earnings per share	0.0186	0.0202
Including: Basic diluted earnings per share relating to continuing operations	0.0186	0.0202
Basic diluted earnings per share relating to discontinued operations		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIV) Earnings per share (Continued)****2. Diluted earnings per share (Continued)*

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

Item	Amount for the period	Amount for the previous period
Weighted average number of ordinary shares in issue at the end of year when the basic earnings per share is calculated	2,232,349,400.00	2,232,349,400.00
Effects of convertible bonds		
Effects of share options		
Weighted average number (diluted) of ordinary shares at the end of the year	2,232,349,400.00	2,232,349,400.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LV) Supplementary information of income statement-classification of expenses by nature***

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

Item	Amount for the period	Amount for the previous period
Expenses of material, fuel and labor, etc.	771,462,720.59	929,752,812.18
Depreciation and amortisation	70,362,243.36	55,756,885.57
Finance expenses	49,156,377.41	52,387,689.85
Transportation expenses	30,763,563.96	27,337,953.49
Payroll	20,458,334.66	39,842,650.82
Repair maintenance expenses	15,038,467.46	12,470,967.78
Materials costs	14,541,751.96	11,733,891.78
Loss on shutdown	14,099,392.77	14,018,098.36
Power expenses	6,266,334.21	3,600,455.75
Agency expenses	2,343,445.00	1,702,538.49
Total	994,492,631.38	1,154,512,918.83

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVI) Statement of cash flows****1. Cash received relating to other operating activities*

Item	Amount for period	Amount for the previous period
Recovery of accounts receivable, deposits and others	153,891,937.71	589,037,166.27
Government subsidies received	22,523,201.15	5,165,093.92
Interest income received	1,672,424.92	1,182,048.30
Total	178,087,563.78	595,384,308.49

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVI) Statement of cash flows (Continued)****2. Cash paid relating to other operating activities*

Item	Amount for period	Amount for the previous period
Payment of accounts payable, deposits and others	149,519,876.57	420,705,811.22
Transportation expenses	10,497,876.97	27,863,044.88
Insurance	5,714,243.42	205,464.91
Commission and handling fees	2,283,529.17	525,723.11
Agency expenses	2,343,445.00	1,470,000.00
Traveling expenses	1,107,438.69	1,080,828.81
Lease and property management	853,405.85	420,216.56
Office expenses	83,526.10	437,326.54
Advertisement fees	44,347.45	318,165.85
Others	20,432,232.77	11,958,576.51
Total	192,879,921.99	464,985,158.39

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVI) Statement of cash flows (Continued)****3. Cash received relating to other investing activities*

Item	Amount for period	Amount for the previous period
Investment in shares and wealth management	<u>696,420.68</u>	<u>1,334,699.71</u>
Total	<u><u>696,420.68</u></u>	<u><u>1,334,699.71</u></u>

4. Cash paid relating to other investing activities

Item	Amount for period	Amount for the previous period
Payment for purchase of shares	<u>200,776.37</u>	353,152.27
Disposal of IRICO Group Electronics (Hong Kong) Company Limited	<u>18,525.63</u>	<u> </u>
Total	<u><u>219,302.00</u></u>	<u><u>353,152.27</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVI) Statement of cash flows (Continued)****5. Cash received relating to other financing activities*

Item	Amount for period	Amount for the previous period
Borrowing received from IRICO Group and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽 中電彩虹集團控股有限公司)	4,371,536.79	753,000,000.00
Total	4,371,536.79	753,000,000.00

6. Cash paid relating to other financing activities

Item	Amount for period	Amount for the previous period
Repayment of borrowings from IRICO Group and Xianyang Zhongdian IRICO Group Holdings Ltd.*	144,927,105.86	649,091,896.88
Financing lease expenses	63,986,234.51	514,961.12
Interest of bill discount	7,030,425.17	1,908,103.12
Total	215,943,765.54	651,514,961.12

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVII) Supplementary information on statement of cash flows****1. Supplementary information on statement of cash flows*

Supplementary information	Amount for period	Amount for the previous period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	33,450,602.56	31,614,793.38
Add: Credit impairment losses	895,030.34	1,375,283.46
Provision for assets impairment		
Depreciation of fixed assets	64,445,184.37	58,174,733.86
Amortisation of right-of-use assets	1,812,815.12	2,035,580.56
Amortisation of intangible assets	3,863,256.93	4,258,752.30
Amortisation of long-term deferred expenses	240,986.94	4,419,236.55
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	-9,168,379.05	
Loss on retirement of fixed assets ("-" denotes gain)		
Loss on changes in fair value ("-" denotes gain)	134,778.28	-39,390.82
Finance expenses ("-" denotes gain)	45,629,079.90	44,795,136.31
Investment losses ("-" denotes gain)	8,627,315.28	990,532.79
Decrease in deferred income tax assets ("-" denotes increase)	-125,316.72	-184,451.50

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVII) Supplementary information on statement of cash flows
(Continued)******1. Supplementary information on statement of cash flows
(Continued)***

Supplementary information	Amount for period	Amount for the previous period
Increase in deferred income tax liabilities (“-” denotes decrease)	-7,595.66	-14,940.76
Decrease in inventories (“-” denotes increase)	-67,927,879.34	-9,887,228.37
Decrease in operating receivables (“-” denotes increase)	-49,570,351.31	-33,830,264.52
Increase in operating payables (“-” denotes decrease)	95,389,534.91	94,537,505.40
Others		
Net cash flows from operating activities	127,689,062.55	198,245,278.64
2. Major investing and financing activities not involving cash settlements		
Conversion of debts to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents		
Closing balance of cash	318,592,230.91	62,511,307.01
Less: Opening balance of cash	163,386,562.37	128,620,277.04
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	155,205,668.54	-66,108,970.03

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVII) Supplementary information on statement of cash flows (Continued)*****2. *Net cash received from disposal of subsidiaries in the period***

	Amount
Cash and cash equivalents received from disposal of subsidiaries in the period	
Including: IRICO Group Electronics (Hong Kong) Company Limited	
Less: Cash and cash equivalents held by subsidiaries on the date of loss of control	18,525.63
Including: IRICO Group Electronics (Hong Kong) Company Limited	18,525.63
Add: Cash and cash equivalents received in the period from disposal of subsidiaries in the previous period	
Including: IRICO Group Electronics (Hong Kong) Company Limited	
Net cash received from disposal of subsidiaries	-18,525.63

Note: Net cash received from disposal of subsidiaries is RMB-18,525.63, which is listed in the item of “Cash paid relating to other investing activities” in the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVII) Supplementary information on statement of cash flows
(Continued)****3. Composition of cash and cash equivalents*

Item	Closing balance	Balance at the end of last year
I. Cash	318,592,230.91	62,511,307.01
Including: Cash on hand	12,381.41	8,273.58
Bank deposits readily available for payment	318,579,849.50	62,503,033.43
Other monetary funds readily available for payment		
Deposits with the central bank available for payment		
Deposits with banks and other financial institutions		
Loans from banks and other financial institutions		
II. Cash equivalents		
Including: Bond investment due in three months		
III. Closing balance of cash and cash equivalents	318,592,230.91	62,511,307.01
Including: restricted cash and cash equivalents of the Company or subsidiaries within the Group		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LVIII) Assets with restricted ownerships or right to use***

Item	Closing carrying amount	Reason for such restrictions
Cash at bank and on hand	385,427,337.75	Bills deposits
Cash at bank and on hand	30,000,000.00	Fixed deposit receipt
Cash at bank and on hand	123,809.74	Frozen amount due to litigation
Receivables financing	108,348,929.30	Pledge
Other investments in equity instruments	161,313,068.88	Equity pledged borrowings
Fixed assets	708,910,548.52	Mortgage loan
Construction in progress	270,852,438.94	Mortgage loan
Intangible assets	122,323,921.95	Mortgage loan
Total	<u>1,787,300,055.08</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(LIX) Foreign currency items****1. Foreign currency items*

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			4,338,090.57
Including: USD	547,438.27	7.0795	3,875,589.23
EUR	48,129.08	7.9610	383,155.61
HKD	86,864.74	0.91344	79,345.73
Accounts receivable			39,621,903.39
Including: USD	396,719.68	7.0795	2,808,576.97
EUR	4,624,208.82	7.9610	36,813,326.42
Other receivables			29,373,275.79
Including: EUR	3,689,646.50	7.9610	29,373,275.79
Contract liabilities			942,012.46
Including: USD	80,516.93	7.0795	570,019.61
EUR	46,726.90	7.9610	371,992.85

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LX) Government grants***1. Asset-related government grants*

Type	Amount	Items included in balance sheet	Amount recorded in current profit or loss or offsetting relevant costs or losses	Amount for the previous period	Items recorded in current profit or loss or offsetting relevant costs or losses
			Amount for the period	period	losses
Local government incentives	63,242,363.64	Deferred income	775,348.92	775,348.92	Other income
Special project on solar photovoltaic and semiconductor lighting development in Shaanxi Province	4,540,000.00	Deferred income	100,000.00	100,000.00	Other income
Special subsidies on industrial transformation and upgrading in Shaanxi province granted to the photoresists production line construction project	380,000.00	Deferred income		1,320,000.00	Other income
Project on anode materials for high-end power ternary cells	300,000.00	Deferred income		200,000.00	Other income
Technological research and development and industrialization of high nickel ternary material NCM811	300,000.00	Deferred income			Other income
Research and development and industrialization of LED devices with high photosynthetic efficiency and colour rendering and low colour temperature and power	156,358.44	Deferred income	16,752.66	16,752.66	Other income

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(LX) Government grants (Continued)

1. Asset-related government grants (Continued)

Type	Amount	Items included in balance sheet	Amount recorded in current profit or loss or offsetting relevant costs or losses		Items recorded in current profit or loss or offsetting relevant costs or losses
			Amount for the period	Amount for the previous period	
Research and development and industrialization of phosphor powder for high-performance PDP	128,127.18	Deferred income	50,644.82	50,644.82	Other income
Research and development and industrialization of photoreceptive electrode pulps for PDP	73,423.91	Deferred income	35,064.82	1,927,108.31	Other income
Research and development and industrialization of phosphor powder for LCD backlight CCFLs	7,167.68	Deferred income	5,545.74	5,545.74	Other income
Research and development and application of technologies on phosphor powder for triphosphor energy-saving lamps with small particles and low consumption and its industrialization				2,430,000.00	Other income
Project on the Display Devices Engineering and Technical Research Center in Shaanxi Province				30,000.03	Other income
Total	69,127,440.85		983,356.96	4,964,383.51	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(LX) GOVERNMENT GRANTS (CONTINUED)***2. Income-related government grants*

Type	Amount	Amount recorded in current profit or loss or offsetting relevant costs or losses		
		Amount for the period	Amount for the previous period	Items recorded in current profit or loss or offsetting relevant costs or losses
Subsidies for stabilizing employment	5,119,503.76	5,119,503.76		Other income
Cash out of subsidy policy for photovoltaic power station sponsored from the Economic and Trade Development Bureau of Xinzhan District of Hefei in 2019	3,144,367.50	3,144,367.50	1,769,745.00	Other income
Subsidies for supporting Hefei municipal government's photovoltaic industry	1,746,400.00	1,746,400.00	1,200,000.00	Other income
"Post-Reward and Supplement" Green Ecological Development Project in 2019	1,000,000.00	1,000,000.00		Other income
Replenishment of the awards for the "Big Enterprise Upgrading" Project in 2019	500,000.00	500,000.00		Other income
Award of Qindu District Finance Bureau for Local Finance Bank's Over-production Sales	300,000.00	300,000.00		Other income
Refund for work injury insurance	149,397.85	149,397.85		Other income
Subsidies for technology insurance	100,000.00	100,000.00		Other income
Other small grants	259,486.62	259,486.62	2,689,907.49	Other income
Total	12,319,155.73	12,319,155.73	5,659,652.49	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

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

(LXI) Dividend

As of 30 June 2020, the Board did not declare any interim dividend.

VI. CHANGE IN SCOPE OF CONSOLIDATION

IRICO Group Electronics (Hong Kong) Company Limited, a subsidiary controlled by the Company, was canceled during the year.

VII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Composition of enterprise group

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method for acquisition
				Direct	Indirect	
Shaanxi IRICO New Material Co., Ltd*	Xianyang, Shaanxi	Xianyang, Shaanxi	Production and sales of fluorescent powder for color picture tube	76.31		Investment in establishment
IRICO (Hefei) Photovoltaic Co., Ltd.*	Hefei, Anhui	Hefei, Anhui	Production and sales of PV glass	100.00		Investment in establishment
Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司)	Xianyang, Shaanxi	Xianyang, Shaanxi	Operation of solar photovoltaic power stations	100.00		Investment in establishment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(I) Interests in subsidiaries (Continued)***1. Composition of enterprise group (Continued)*

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding ratio(%)		Method for acquisition
				Direct	Indirect	
Nanjing IRICO New Energy Co., Ltd.* (南京彩虹新能源有限公司)	Nanjing, Jiangsu	Nanjing, Jiangsu	Operation of solar photovoltaic power stations		100.00	Investment in establishment
IRICO Yan'an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司)	Yan'an, Shaanxi	Yan'an, Shaanxi	Production and sales of PV glass, Operation of solar photovoltaic power stations	100.00		Investment in establishment
Jiangsu IRICO Yongneng New Energy Company Limited*	Zhangjiagang, Jiangsu	Zhangjiagang, Jiangsu	Solar cells, solar cell modules	51.00		Business combination not involving enterprises under common control
Shaanxi IRICO Xinneng Glass Co., Ltd.* (陕西彩虹新能源玻璃有限公司)	Xianyang, Shaanxi	Xianyang, Shaanxi	Production and sales of inorganic non-metallic materials and products	100.00		Investment in establishment

As at 30 June 2020, none of subsidiaries had issued any debt securities at any time during the reporting period (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

(I) Interests in subsidiaries (Continued)

2. Significant non-wholly owned subsidiaries

Name of subsidiary	Minority shareholder's shareholding ratio (%)	Profit or loss attributable to minority interests in the current period	Dividends distributed to minority shareholder in the current period	Closing balance of minority interests
Shaanxi IRICO New Material Co., Ltd*	23.69	2,421,147.71		70,137,766.25
Jiangsu IRICO Yongneng New Energy Company Limited*	49.00	-10,606,678.54		22,738,196.82

3. Main financial information of significant non-wholly owned subsidiaries

Name of subsidiary	Closing balance						Balance at the end of last year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shaanxi IRICO New Material Co., Ltd*	417,574,953.91	96,532,284.10	514,107,238.01	208,907,120.25	7,975,077.21	216,882,197.46	370,589,618.37	67,763,093.36	438,352,711.73	144,314,712.17	8,083,085.25	152,397,797.42
Jiangsu IRICO Yongneng New Energy Company Limited*	203,649,821.73	150,454,554.59	354,104,376.32	304,768,511.24	2,931,381.78	307,699,893.02	190,725,404.30	160,978,720.43	351,704,124.73	280,451,059.50	3,202,299.20	283,653,358.70

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

*(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(I) Interests in subsidiaries (Continued)**3. *Main financial information of significant non-wholly owned subsidiaries (Continued)*

Name of subsidiary	Amount for the period				Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shaanxi IRICO New Material Co., Ltd*	292,153,320.13	10,220,126.24	10,220,126.24	-4,396,166.75	210,541,139.55	10,435,105.84	10,435,105.84	-4,159,111.39
Jiangsu IRICO Yongheng New Energy Company Limited*	94,986,824.52	-21,646,282.73	-21,646,282.73	6,182,249.36	222,161,488.94	-27,763,398.06	-27,763,398.06	-61,019,504.18

(II) Interests in joint arrangements or associates1. *Significant joint ventures or associates*

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Accounting method for joint ventures or associates	Whether have strategic to the Group's activities
				Direct	Indirect		
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	Zhuhai	Zhuhai	Manufacturing of home appliances and electronic components	49.00		Equity method	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**(II) Interests in joint arrangements or associates (Continued)**

2. Main financial information on significant associates

	Closing balance/ Amount for the period Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司)	Balance at the end of last year/Amount for the previous period Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司)
Current assets	240,146,229.06	211,479,411.52
Non-current assets	11,339,885.42	9,508,575.36
Total assets	251,486,114.48	220,987,986.88
Current liabilities	135,303,249.20	108,033,605.92
Non-current liabilities		
Total liabilities	135,303,249.20	108,033,605.92
Minority interests		
Equity attributable to shareholders of the Company	116,182,865.28	112,954,380.96
Net assets share calculated by percentage of shareholding	56,929,603.99	55,347,646.67
Adjustments	70,635,409.69	70,635,409.69
– Goodwill		
– Unrealized profit in internal transactions		
– Others	70,635,409.69	70,635,409.69
Carrying amount of equity investments in associates	127,565,013.68	125,983,056.37
Fair value of equity investments in joint ventures in association with quoted price		
Operating income	19,743,320.12	2,808,368.90
Net profit	3,228,484.33	1,497,963.20
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	3,228,484.33	1,497,963.20
Dividends from received associates in the current period		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***VII. INTERESTS IN OTHER ENTITIES (CONTINUED)****(II) Interests in joint arrangements or associates (Continued)***3. Summarised financial information of insignificant joint ventures and associates*

	Closing balance/ Amount for the period	Balance at the end of last year/Amount for the previous period
Joint ventures:		
Total carrying amount of investments	35,411,709.36	35,411,684.42
Amounts in aggregate in proportion to the shareholdings		
– Net profit	24.94	-67,433.26
– Other comprehensive income		
– Total comprehensive income	24.94	-67,433.26
Associates:		
Total carrying amount of investments	31,631,223.35	32,965,945.69
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-1,334,722.34	-107,342.62
– Other comprehensive income		
– Total comprehensive income	-1,334,722.34	-107,342.62

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS

The Company is confronted with various financial risks in its operation: credit risk, market risk and liquidity risk. The Board of the Company is responsible for the determination of the overall risk management objectives and policies, and assumes ultimate responsibility for the risk management objectives and policies. Meanwhile, the internal auditors of the Company also conduct audit in respect of the risk management policies and procedures, and report relevant results to Audit Committee.

The overall objective of the Company's risk management is to develop a risk management policy that minimizes risks with undue impact on the Company's competitiveness and resilience.

(I) Credit risk

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations and causes financial losses to the other. The Company is mainly facing customer credit risk caused by credit sales. Before the signing of the new contract, the Company will evaluate the credit risk of the new customer, including the external credit rating and, in some cases, the bank credit certificate (when this information is available). The Company sets a credit limit for each customer, which is the maximum amount that does not require additional approval.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(I) Credit risk (Continued)**

The Company ensures that the Company's overall credit risk is within control of the company through quarterly monitoring of existing customer credit ratings and monthly review of accounts receivable aging analysis. When monitoring the customer's credit risk, we group them according to their credit characteristics. Customers rated as "high-risk" will be placed on the list of restricted customers, and the Company can only sell them on the premise of additional approval, otherwise they must be required to pay the relevant amounts in advance.

(II) Market risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes exchange rate risk, interest rate risk and other price risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Market risk (Continued)

(1) Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market interest rate. The Company's interest rate risk mainly arises from short-term bank borrowings, long-term bank borrowings and long-term payable. As at 30 June 2020, management considered that any reasonable changes in the interest rates would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk.

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The company tries to match the income and expenditure in foreign currencies in order to reduce the exchange rate risk. In addition, the Company may consider entering into forward exchange contract or currency swap contract to mitigate the foreign exchange risk. During the period and the previous period, the Company has not entered into any forward exchange contract or currency swap contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(II) Market risk (Continued)***(2) Exchange rate risk (Continued)*

The exchange rate risk faced by the Company mainly arises from financial assets and financial liabilities denominated in US dollars and Euros. The amount of the financial assets and financial liabilities in foreign currencies converted into RMB is as follows:

Item	Closing balance			Balance at the end of the previous year		
	US dollars	Other foreign currency	Total	US dollars	Other foreign currency	Total
Monetary funds	3,875,589.23	462,501.34	4,338,090.57	7,343,063.15	12,942,041.94	20,285,105.09
Accounts receivable	2,808,576.97	36,813,326.42	39,621,903.39	1,424,018.36	14,398,475.33	15,822,493.69
Other receivables		29,373,275.79	29,373,275.79		41,281,857.68	41,281,857.68
Contract liability	570,019.61	371,992.85	942,012.46			
Total	<u>7,254,185.81</u>	<u>67,021,096.40</u>	<u>74,275,282.21</u>	<u>8,767,081.51</u>	<u>68,622,374.95</u>	<u>77,389,456.46</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)**(II) Market risk (Continued)****(2) Exchange rate risk (Continued)**

As at 30 June 2020, management considers that given HK dollar's linkage to the exchange rate of US dollars, any reasonable changes in foreign exchange rates of the above currencies against the two major functional currencies would not result in a significant change in the Group's results. The sensitivity analysis of interest rate risk is as follows:

Items	Closing balance			Balance at the end of last year		
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	RMB weakens against USD	5%	362,709.29	362,709.29	5%	438,354.08
RMB strengthens against USD	5%	-362,709.29	-362,709.29	5%	-438,354.08	-438,354.08
RMB weakens against EUR	5%	3,347,087.53	3,347,087.53	5%	3,426,302.08	3,426,302.08
RMB strengthens against EUR	5%	-3,347,087.53	-3,347,087.53	5%	-3,426,302.08	-3,426,302.08
RMB weakens against HKD	5%	3,967.29	3,967.29	5%	4,816.67	4,816.67
RMB strengthens against HKD	5%	-3,967.29	-3,967.29	5%	-4,816.67	-4,816.67

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(II) Market risk (Continued)***(3) Other price risk*

Given that the Company holds equity investments in other listed companies, the management is of the view that the market price risks arising from such investment activities are tolerable.

The equity investments in listed companies held by the Company are as below:

Items	Closing balance	Balance at the end of last year
Held-for-trading financial assets	357,484.18	2,863,047.11
Other investment in equity instruments	161,313,068.88	148,577,826.60
Total	161,670,553.06	151,440,873.71

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Market risk (Continued)

(3) Other price risk (Continued)

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified as held-for-trading financial assets and other investments in equity instruments. Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of held-for-trading financial assets and other investments in equity instruments at the end of each reporting period.

(III) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery. The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(III) Liquidity risk (Continued)**

The financial liabilities of the Company are analysed by their maturity date below at their undiscounted contractual cash flows:

Items	Closing balance of the period			Total
	Within 1 year	1–5 years	Over 5 years	
Short-term borrowings	710,868,324.87			710,868,324.87
Bills payable	782,664,757.74			782,664,757.74
Accounts payable	746,192,873.45			746,192,873.45
Other payables	1,388,432,433.60			1,388,432,433.60
Non-current liabilities				
due within one year	546,125,556.98			546,125,556.98
Long-term borrowings		322,784,783.26		322,784,783.26
Long-term payables		224,421,779.60		224,421,779.60
Total	<u>4,174,283,946.64</u>	<u>547,206,562.86</u>		<u>4,721,490,509.50</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****(III) Liquidity risk (Continued)**

Items	Balance at the end of last year			Total
	Within 1 year	1-5 years	Over 5 years	
Short-term borrowings	584,392,230.44			584,392,230.44
Bills payable	652,957,552.71			652,957,552.71
Accounts payable	760,375,514.52			760,375,514.52
Other payables	1,574,136,220.28			1,574,136,220.28
Non-current liabilities				
due within one year	533,033,644.18			533,033,644.18
Long-term borrowings		144,583,554.31		144,583,554.31
Long-term payables		221,201,980.67		221,201,980.67
Total	<u>4,104,895,162.13</u>	<u>365,785,534.98</u>		<u>4,470,680,697.11</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

IX. DISCLOSURE OF FAIR VALUE

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the relevant assets or liabilities other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

Levels of the results of fair value measurement are decided by the lowest level of great significance in fair value measurement as a whole.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

*(Unless otherwise stated, all amounts are denominated in Renminbi)***IX. DISCLOSURE OF FAIR VALUE (CONTINUED)****(I) Fair value of assets and liabilities measured at fair value as at the end of the period**

Items	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuing fair value measurement				
◆ Held-for-trading financial assets	357,484.18			357,484.18
1. Financial assets at fair value through profit and loss				
Including: investment in equity instruments	357,484.18			357,484.18
2. Designated as financial assets at fair value through profit and loss				
◆ Receivables financing			342,073,456.46	342,073,456.46
◆ Other investment in equity instruments	161,313,068.88		102,194,716.20	263,507,785.08

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***IX. DISCLOSURE OF FAIR VALUE (CONTINUED)*****(II) Basis for determining the market price of items persistently and non-persistently measured at fair value at the first level***

The Company's investments in equity instruments which are persistently measured at level 1 fair value at the end of the period are publicly issued shares, and the fair value at the end of the period represents the share price as at 30 June 2020. The other investments in equity instruments measured at level 1 fair value are publicly issued shares of IRICO Display Devices Co., Ltd.* held by the Company not for short-term trading, and the fair value at the end of the period represents the share price as at 30 June 2020.

(III) Nature and quantitative information of valuation techniques and key parameters adopted for items persistently and non-persistently measured at fair value at the third level

1. Other investments in equity instruments held by the Company which are measured at level 3 fair value represent 7.3% equity interest in Shaanxi Caihong Electronics Glass Co., Ltd., which is an unlisted company. Fair value is determined by using the net asset basis method as of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

(III) Nature and quantitative information of valuation techniques and key parameters adopted for items persistently and non-persistently measured at fair value at the third level (Continued)

2. Receivables financing held by the Company which are measured at level 3 fair value are bills receivable. The holding intention is for endorsement, its remaining period is short, and the book value is equal to the fair value.

(IV) Adjustment information and sensitivity analysis of unobservable parameters between the carrying amount at the end of the previous year and the end of the period for items persistently measured at fair value at the third level

1. Adjustment information of items persistently measured at fair value at the third level

Items	Balance at the end of the previous year	Transfers in level 3	Transfers out of level 3	Total gains or losses recognised in the period		Purchase, issue, selling and settlement				Closing balance	For assets held at the end of the reporting period, unrealised gains or changes for the period included in profit or loss	
				In profit or loss	In other comprehensive income	Purchase	Issue	Selling	Settlement			
◆Held-for-trading financial assets	2,370,000.00		2,370,000.00									
◆Receivables financing	455,599,031.06	2,154,171,924.59	2,267,697,499.19							342,073,456.46		
◆Other investments in equity instruments	102,767,095.46				-572,379.26					102,194,716.20		
Total	560,736,126.52	2,154,171,924.59	2,270,067,499.19		-572,379.26					444,268,172.66		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES****(I) Information on the parent company of the Company***Unit: RMB0'000*

Name of the parent company	Place of registration	Nature of Business	Registered Capital	Percentages of shareholding in the Company held by the parent company (%)	Percentages of voting rights in the Company held by the parent company (%)
IRICO Group Corporation Limited * (彩虹集團有限公司)	Beijing	Production and sales of Electronic components	251,716.70	71.74	71.74

The ultimate controller: China Electronics Corporation*

(II) Information on the subsidiaries of the Company

Please refer to Note "VII. Interest in other entities" for details of the information on the subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(III) Information on associates and joint ventures of the Company**

Please refer to Note “VII. Interest in other entities” for details of the major associates and joint ventures of the Company.

(IV) Information on other related parties

Name of other related parties	Relationship between other related party and the Company
China Electronics and Information Industry Group Co., Ltd.*	Ultimate controlling party
China Electronics Financial Co., Ltd.	Associated enterprise of ultimate controlling party
Xianyang Cailian Packaging Materials Co., Ltd.	Investee company of the Company's controlling shareholder
Xianyang Zhongdian IRICO Group Holdings Ltd.	Same parent company
Hefei IRICO Epilight Technology Co., Ltd.	Same parent company
Hefei IRICO Epilight Industry Co., Ltd.	Same parent company
IRICO (Hefei) LCD Glass Co., Ltd.	Other related relationship
Xianyang IRICO Optoelectronics Technology Co., Ltd.	Other related relationship

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(IV) Information on other related parties (Continued)**

Name of other related parties	Relationship between other related party and the Company
China Electronics Financial Co., Ltd.	Under the same ultimate control party
Nanjing Huadong Electronics Group Co., Ltd.	Under the same ultimate control party
Zhongdian Panda Trade Development Limited Company	Under the same ultimate control party
Nanjing Zhongdian Panda Property Management Co., Ltd.	Under the same ultimate control party
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Under the same ultimate control party
Panda Xinxing Industrial Co., Ltd.	Under the same ultimate control party
Nanjing CEC Panda Modern Services Co., Ltd.	Under the same ultimate control party
Xi'an IRICO Information Co., Ltd.	Under the same ultimate control party
Shaanxi IRICO Energy Services Corporation	Under the same ultimate control party
The Intelligent Manufacturing Business Unit of IRICO Group Corporation Limited	Under the same ultimate control party
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	Under the same ultimate control party
Xianyang IRICO Optoelectronics Technology Co., Ltd.	Under the same ultimate control party

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(IV) Information on other related parties (Continued)**

<u>Name of other related parties</u>	<u>Relationship between other related party and the Company</u>
Xianyang IRICO Property Management Co., Ltd.	Under the same ultimate control party
Xianyang IRICO Electronic Accessories Co., Ltd.	Under the same ultimate control party
Xianyang IRICO Gases Company Limited	Under the same ultimate control party
Xianyang IRICO Industry Company Limited	Under the same ultimate control party
Xianyang Zhongdian IRICO Group Holdings Ltd.	Under the same ultimate control party
IRICO New Energy (Wuhan) Co., Ltd.	Under the same ultimate control party
China Elec-Trans Int'l Service Co., Ltd.	Under the same ultimate control party
Kunshan IRICO Industry Co., Ltd.	Under the same ultimate control party
China Electronics System Engineering No. 2 Construction Co., Ltd.	Under the same ultimate control party
China Electronics System Engineering No. 3 Construction Co., Ltd.	Under the same ultimate control party

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions**

- Related party transactions for purchase and sales of goods/provision and receipt of services*

Purchase of goods/Receipt of services

Related parties	Subject	Amount for the period	Amount for the previous period
IRICO (Hefei) LCD Glass Co., Ltd.	Purchase of goods	90,876,917.04	70,040,187.33
Nanjing Huadong Electronics Group Co., Ltd.	Purchase of goods	81,511,087.56	19,938,696.29
Shaanxi IRICO Energy Services Corporation	Utility fees	13,130,669.54	34,604,822.82
Zhongdian Panda Trade Development Limited Company	Purchase of goods	11,433,324.32	11,371,438.58
Hefei IRICO Epilight Industry Co., Ltd.	Purchase of goods	10,274,326.72	
Xianyang Cailian Packaging Materials Co., Ltd.	Purchase of goods	9,059,589.01	11,024,983.95
IRICO Group Corporation Limited	Purchase of goods	7,322,466.55	
Hanzhong IRICO Jiarunze Mining Co.,Ltd	Purchase of goods	2,050,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***1. Related party transactions for purchase and sales of goods/provision and receipt of services (Continued)*

Purchase of goods/Receipt of services (Continued)

Related parties	Subject	Amount for the period	Amount for the previous period
Xianyang Zhongdian IRICO Group Holdings Ltd.	Lease payments	801,166.33	625,821.38
Xi'an IRICO Information Co., Ltd.	Receipt of services	793,251.32	
The Intelligent Manufacturing Business Unit of IRICO Group Corporation Limited	Receipt of services	722,123.89	
Nanjing Zhongdian Panda Property Management Co., Ltd.	Receipt of services	301,600.00	128,490.56
Xianyang IRICO Gases Company Limited	Purchase of goods	132,300.88	
Shaanxi IRICO Energy Services Corporation	Telephone bills	13,440.15	16,112.22
Xianyang Photovoltaic Technology Co., Ltd.	Utility fees		158,947.14
Xianyang IRICO Industry Company Limited	Property management fee		112,678.74
Xianyang Zhongdian IRICO Group Holdings Ltd.	Purchase of goods		8,370.94

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***1. Related party transactions for purchase and sales of goods/provision and receipt of services (Continued)*

Sales of goods/provision of services

Related parties	Subject	Amount for the period	Amount for the previous period
Xianyang IRICO Optoelectronics Technology Co., Ltd.	Purchase of goods	14,598,578.00	14,732,340.00
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Provision of services	3,943,683.31	3,949,920.07
IRICO (Hefei) LCD Glass Co., Ltd.	Purchase of goods	3,326,763.33	5,021,882.11
Panda Xinxing Industrial Co., Ltd.	Provision of services	1,312,475.90	1,182,918.73
Nanjing Huadong Electronics Group Co., Ltd.	Purchase of goods	188,522.14	
IRICO New Energy (Wuhan) Co., Ltd.	Provision of services	169,811.34	169,811.34
IRICO New Energy (Liquan) Co., Ltd.	Provision of services	84,905.64	84,905.64
Xianyang IRICO Property Management Co., Ltd.	Purchase of goods	66,180.53	
Xianyang Cailian Packaging Materials Co., Ltd.	Purchase of goods		1,165,976.64

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***2. Leasing with related parties*

The Company as the lessor:

Name of lessee	Type of leased asset	Income recognized from leasing for the period	Income recognized from leasing for the previous period
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Plants	2,904,537.72	2,904,537.72
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Plants	161,083.02	161,083.02

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***2. Leasing with related parties (Continued)*

The Company as the lessee:

Name of lessor	Type of leased asset	Relevant fees recognized from leasing for the period	Relevant fees recognized from leasing for the previous period
Xianyang Zhongdian IRICO Group Holdings Ltd.	Premises leasing	801,166.33	625,821.38
Nanjing CEC Panda Modern Services Co., Ltd.	photovoltaic power station	71,992.75	81,818.18
Xianyang Zhongdian IRICO Group Holdings Ltd.	Property management fee	56,339.37	
Nanjing CEC Panda Modern Services Co., Ltd.	Plants	30,449.61	33,990.09
IRICO (Zhangjiagang) Flat Panel Display Co., Ltd.	Vehicles leasing	19,454.70	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties*

The Company as a guaranteed party:

Guarantor	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
IRICO Yan'an New Energy Co., Ltd.	35,500,000.00	2019-9-25	2024-9-29	No
Shaanxi IRICO New Material Co., Ltd	20,000,000.00	2020-1-9	2021-1-9	No
Shaanxi IRICO New Material Co., Ltd	19,900,000.00	2019-5-9	2020-12-9	No
IRICO Yan'an New Energy Co., Ltd.	18,000,000.00	2019-1-23	2024-2-25	No
Shaanxi IRICO New Material Co., Ltd	15,000,000.00	2020-3-20	2021-3-20	No
Xianyang IRICO Green Energy Co., Ltd.	10,000,000.00	2020-3-31	2023-3-31	No
IRICO Yan'an New Energy Co., Ltd.	8,000,000.00	2018-11-6	2023-11-30	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties (Continued)*

The Company as a guaranteed party:

Guarantor	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
IRICO Group Corporation Limited	300,000,000.00	2016-12-15	2022-12-15	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	200,000,000.00	2020-6-24	2024-6-22	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	138,417,629.88	2020-1-7	2026-1-7	No
IRICO Group Corporation Limited	112,500,000.00	2016-7-1	2023-7-1	No
IRICO Group Corporation Limited	100,000,000.00	2020-6-1	2023-6-1	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	100,000,000.00	2020-3-10	2021-3-27	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Corporation Limited	83,333,333.34	2018-10-10	2022-4-2	No
IRICO Group Corporation Limited	81,500,000.00	2020-1-2	2026-1-14	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	80,000,000.00	2019-12-31	2023-12-29	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	68,000,000.00	2019-1-9	2023-1-8	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	65,000,000.00	2020-1-10	2022-12-10	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties (Continued)*

The Company as a guaranteed party: (Continued)

Guarantor	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Corporation Limited	59,200,000.00	2019-12-9	2024-12-20	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Corporation Limited	53,333,333.33	2019-8-5	2024-8-5	No
IRICO Group Corporation Limited	50,000,000.00	2019-7-9	2022-7-8	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	50,000,000.00	2019-2-19	2022-2-18	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	50,000,000.00	2019-8-19	2022-8-9	No
IRICO Group Corporation Limited	49,000,000.00	2020-5-28	2021-5-28	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	46,868,150.00	2017-9-1	2024-6-30	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	46,221,000.00	2019-8-19	2022-8-9	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	40,000,000.00	2019-9-25	2023-12-29	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties (Continued)*

The Company as a guaranteed party: (Continued)

Guarantor	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
IRICO Group Corporation Limited	40,000,000.00	2019-8-5	2020-8-5	No
IRICO Group Corporation Limited/IRICO Group New Energy Company Limited	31,000,000.00	2018-12-20	2023-9-13	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	30,000,000.00	2019-8-22	2021-7-18	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	30,000,000.00	2020-4-27	2023-4-27	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	28,931,000.00	2020-4-27	2023-4-27	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	22,000,000.00	2020-3-24	2024-3-19	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	19,000,000.00	2019-1-22	2021-12-24	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Corporation Limited	16,442,060.13	2018-4-16	2023-4-16	No
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Corporation Limited	15,936,398.93	2018-4-2	2023-4-2	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***3. Guarantee with related parties (Continued)*

The Company as a guaranteed party: (Continued)

Guarantor	Amount of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd. and IRICO Group Corporation Limited	15,936,398.93	2018-4-9	2023-4-9	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	15,000,000.00	2020-6-16	2021-1-4	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	14,732,800.00	2020-1-14	2021-1-14	No
IRICO Group Corporation Limited	10,000,000.00	2019-8-12	2022-8-11	No
IRICO Group Corporation Limited	10,000,000.00	2019-8-7	2022-8-6	No
IRICO Group Corporation Limited	10,000,000.00	2019-8-14	2020-8-13	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	5,600,000.00	2019-2-25	2022-8-18	No
IRICO Group Corporation Limited	300,000.00	2016-6-30	2023-6-30	No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***4. Borrowings from or lending to related parties*

Related parties	Amount of borrowing or lending	Commencement date	Maturity date	Note
Borrowing				
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	340,703,528.82	2020-2-17	2021-2-16	
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	300,000,000.00	2020-2-17	2021-2-16	
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	112,800,000.00	2016-7-1	2021-7-1	
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	100,000,000.00	2020-2-17	2021-2-16	
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	80,000,000.00	2019-9-9	2020-9-9	
Zuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	40,000,000.00	2020-1-1	2020-12-31	
Zuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	30,000,000.00	2020-1-1	2020-12-31	
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	24,500,000.00	2019-12-21	2020-12-20	
IRICO Group Corporation Limited(彩虹集團有限公司)	23,000,000.00	2019-12-19	2020-12-19	
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	18,000,000.00	2019-12-21	2020-12-20	
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	10,000,000.00	2020-1-1	2020-12-31	
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	10,000,000.00	2019-11-19	2020-11-19	
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	6,000,000.00	2019-12-21	2020-12-20	
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	5,000,000.00	2019-7-25	2020-7-23	
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	4,921,015.00	2019-12-9	2020-12-9	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**(V) Related party transactions (Continued)****5. Other Related Party Transactions**

- (1) Compensation to Xianyang Zhongdian IRICO Group Holdings Ltd.* on shutdown of furnaces

Xianyang Photovoltaic Glass Factory (咸陽光伏玻璃廠) (“**Xianyang Photovoltaic**”), a subsidiary of the Company, is primarily engaged in production and sales of photovoltaic glass. It shut down three furnaces with a daily production volume of 250 tons in March 2017, July 2017 and May 2019, respectively, due to service life of furnaces and out of consideration for economies of scale.

As the land of Xianyang Zhongdian IRICO Group Holdings Ltd.* (“**Zhongdian Holdings**”) leased and occupied for the shutdown of furnaces by Xianyang Photovoltaic will be purchased and reserved for development in the future, the Company failed to obtain approval of IRICO Group Corporation Limited (the second largest shareholder of Zhongdian Holdings with CEC as its de facto controller), a controlling shareholder of the Company, for the cold repair proposal for many times, the fees on idle personnel and losses on production suspension all exerted material impact on the Company. Upon mutual friendly negotiation, the “Compensation Framework Agreement” was signed in June 2019, which provides that Zhongdian Holdings will compensate the Company for the loss on work stoppages arising from production suspension and cold repair cessation of the above-mentioned furnaces.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(V) Related party transactions (Continued)***5. Other Related Party Transactions (Continued)*

- (1) Compensation to Xianyang Zhongdian IRICO Group Holdings Ltd.* on shutdown of furnaces (Continued)

From January to June 2020, the Company confirmed that the compensation of furnaces of Zhongdian Holdings is RMB10,140,000, which is included in other income.

- (2) With China Electronics Financial Co., Ltd.

Related parties	Subject	Closing balance/Amount for the period
China Electronics Financial Co., Ltd.	Bank deposit	19,232,967.34
China Electronics Financial Co., Ltd.	Receipts from interest	86,024.11
China Electronics Financial Co., Ltd.	Balance of loan	185,000,000.00
China Electronics Financial Co., Ltd.	Payment of interest	2,438,039.57

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(VI) Receivables from and payables to related parties

1. Receivables from related parties

Item	Related parties	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Accounts receivable	IRICO Group Corporation Limited (彩虹集團有限公司)	7,137,268.75		7,137,268.75	
	Xianyang IRICO Optoelectronics Technology Co., Ltd. (咸陽彩虹光電科技有限公司)	5,659,044.52			
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	4,676,836.18		4,676,836.18	
	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	1,574,187.67		121,918.82	
Receivables financing	IRICO Group Corporation Limited (彩虹集團有限公司)	6,000,000.00			
	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	1,500,000.00			
	Zhuhai Caizhu Industrial Co., Ltd. (珠海彩珠實業有限公司)			70,000,000.00	
Prepayments	Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	3,500,000.00			
	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	745,000.00		745,000.00	
	Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)			2,595.69	
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)			387.29	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)***1. Receivables from related parties (Continued)*

Item	Related parties	Closing balance		Balance at the end of last year	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Other receivables	Hanzhong IRICO Jiarunze Mining Co., Ltd (漢中彩虹佳潤澤礦業有限公司)	22,421,859.36		22,421,859.36	
	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	18,541,064.49		18,000,000.00	
	IRICO Group Corporation Limited (彩虹集團有限公司)	13,052,023.89			
	IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	3,465,783.00		3,465,783.00	
	Xi'an IRICO Information Co., Ltd. (西安彩虹資訊有限公司)	3,127,691.14		3,127,691.14	
	Shaanxi IRICO Optoelectronic Materials Company (陝西彩虹光電材料總公司)	3,060,000.00		3,060,000.00	
	IRICO New Energy (Changwu) Co., Ltd (長武彩虹新能源有限公司)	2,750,000.00		2,750,000.00	
	IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	950,000.00		950,000.00	
	Hefei IRICO Epilight Technology Co., Ltd. (合肥彩虹藍光科技有限公司)	42,844.74			
	Nanjing CEC Panda Modern Services Co., Ltd. (南京中電熊貓現代服務產業有限公司)	34,233.89		28,517.70	
	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	6,000.00		6,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(VI) Receivables from and payables to related parties (Continued)

2. Payables to related parties

Item	Related parties	Closing balance	Balance at the end of last year
Short-term borrowings	China Electronics Financial Co., Ltd. (中國電子財務有限公司)	185,000,000.00	90,000,000.00
Accounts payable	IRICO (Hefei) LCD Glass Co., Ltd.(彩虹(合肥)液晶玻璃有限公司)	17,864,121.13	19,513,434.18
	Shaanxi IRICO Energy Services Corporation(陝西彩虹能源服務有限公司)	17,515,342.25	15,940,886.76
	Xiayang Cailian Packaging Materials Co., Ltd.(咸陽彩聯包裝材料有限公司)	13,037,858.73	17,180,423.51
	Hefei IRICO Epilight Industry Co., Ltd.(合肥彩虹藍光實業有限公司)	12,562,439.36	7,875,475.47
	Xiayang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	7,333,512.70	9,970,865.80
	IRICO Group Corporation Limited (彩虹集團有限公司)	6,307,530.72	1,670,564.91
	Xi'an IRICO Information Co., Ltd. (西安彩虹資訊有限公司)	1,573,959.49	780,708.17
	China Electronics System Engineering No. 2 Construction Co., Ltd.(中國電子系統工程第二建設有限公司)	1,440,540.54	1,440,540.54
	Hanzhong IRICO Jiarunze Mining Co., Ltd.(漢中彩虹佳潤澤礦業有限公司)	1,309,187.00	
	Xiayang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	827,705.60	827,705.60
	China Elec-Trans Int'l Service Co., Ltd.(捷達國際運輸有限公司)	176,006.08	226,006.08
	Xiayang IRICO Industry Company Limited(咸陽彩虹集團實業有限公司)	155,346.06	145,346.06

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

*(Unless otherwise stated, all amounts are denominated in Renminbi)***X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)****(VI) Receivables from and payables to related parties (Continued)****2. Payables to related parties (Continued)**

Item	Related parties	Closing balance	Balance at the end of last year
	China Electronics System Engineering No. 3 Construction Co., Ltd. (中國電子系統工程第三建設有限公司)	5,000.00	
	Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司)	79.69	
	Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)		4,965,594.68
	Xianyang Caiqin Electronics Device Co., Ltd. (咸陽彩秦電子器件有限責任公司)		4,740,348.60
	Xianyang Zhongdian IRICO Properties Management Co., Ltd. (咸陽中電彩虹物業管理有限公司)		10,000.00
Bills payable	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	17,185,099.98	41,404,290.38
	Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	12,400,000.00	19,500,000.00
	IRICO Group Corporation Limited (彩虹集團有限公司)	8,527,982.39	
	Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	3,650,000.00	
	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	3,000,000.00	
	Hefei IRICO Epilight Industry Co., Ltd. (合肥彩虹藍光實業有限公司)	2,609,103.25	9,360,000.00
	Hanzhong IRICO Jiarunze Mining Co., Ltd. (漢中彩虹佳潤澤礦業有限公司)	1,860,000.00	
	China Electronics System Engineering No.2 Construction Co., Ltd. (中國電子系統工程第二建設有限公司)		750,000.00
	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)		700,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(VI) Receivables from and payables to related parties (Continued)

2. Payables to related parties (Continued)

Item	Related parties	Closing balance	Balance at the end of last year
Other payables	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	658,807,279.62	806,029,262.55
	Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司)	103,924,840.90	102,470,007.57
	IRICO Group Corporation Limited * (彩虹集團有限公司)	73,297,879.31	83,047,197.64
	Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	43,679,064.44	43,348,766.09
	China Electronics and Information Industry Group Co., Ltd. (中國電子信息產業集團有限公司)	22,624,986.48	41,900,145.43
	IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	10,406,002.65	10,406,002.65
	Xianyang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	6,767,707.28	7,104,235.01
	IRICO New Energy (Changwu) Co., Ltd (長武彩虹新能源有限公司)	4,600,000.00	
	China Electronics System Engineering No.2 Construction Co., Ltd. (中國電子系統工程第二建設有限公司)	50,000.00	50,000.00
	Hefei IRICO Epilight Industry Co., Ltd. (合肥彩虹藍光實業有限公司)		30,000.00
Other non-current liabilities due within one year	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	90,300,000.00	115,300,000.00
Long-term payables	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	22,500,000.00	45,150,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***XI. COMMITMENTS AND CONTINGENCIES****(I) Important commitments**

The capital expenditure commitments entered into by the Company on the balance sheet date which are not required to be shown on the balance sheet are as follows:

Unit: RMB0'000

Project name	Contractual investment	Investment recognized	Investment not recognized
Hefei Photovoltaic Glass Project	97,448.77	90,690.71	6,758.06
Distributed power stations project of Nanjing CEC Panda	7,635.16	7,283.66	351.50
Distributed photovoltaic power generation project of Nanjing Orientleader Technology Co., Ltd.	1,405.21	1,358.20	47.01
Solar photovoltaic glass furnace	65,202.39	56,772.00	8,430.39
Total	171,691.53	156,104.57	15,586.96

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies

1. *For the guarantee provided by the Company for the bank loan of the subsidiary, please refer to note "X. (V).3".*
2. *Litigation*

In the ordinary course of business of the Company, litigation matters are involved due to contract dissension. As of 30 June 2020, bank funds of RMB123,809.74 have been frozen due to litigation.

The main litigation matters concerning the frozen funds are as follows:

Shaanxi Xinlang Construction Engineering Co. Ltd* (陝西欣郎建設工程有限公司) (the "**Shaanxi Xinlang**"), Shaanxi Zhengkang Construction Engineering Co., Ltd.* (陝西正康建設工程有限公司) (the "**Shaanxi Zhengkang**") and IRICO Yan'an New Energy Co., Ltd.* (the "**Yan'an New Energy**"), a subsidiary of the Company, entered into a civil engineering project contract. After the completion of the project, 75% of the full price has been paid by Yan'an New Energy as the first payment. Since the project has not yet been inspected and accepted, the remaining payment has not been paid, and will be paid after the acceptance of the project. In this contract dispute, Shaanxi Xinlang and Shaanxi Zhengkang applied for property preservation. On 22 June 2020, bank deposits of RMB123,809.74 of Yan'an New Energy were frozen by the People's Court of Baota District, Yan'an City. As of 30 June 2020, the case has not yet been held, and it will not have a significant adverse impact on the operations of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

XII. POST BALANCE SHEET EVENTS

Nil.

XIII. CAPITAL MANAGEMENT

The main goal of the Company's capital management:

- Ensure the Company's ability to continue its operations so as to provide returns to shareholders and benefit other stakeholders;
- Price products and services according to the level of risk to provide adequate returns to shareholders.

The Company set a capital amount proportional to the risk and manages and adjusts the capital structure according to the changes in the economic environment and the risk characteristics of the underlying assets. The Company may adjust the amount of dividends paid to shareholders, the capital returned to shareholders, the issuance of new shares and the sale of assets to reduce liabilities in order to maintain or adjust the capital structure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIII. CAPITAL MANAGEMENT (CONTINUED)**

The Company monitored capital on the basis of an adjusted liability/capital ratio.

	Closing balance	Balance at the end of last year
Total liability	4,836,056,921.79	4,623,023,634.27
Less: cash and cash equivalents	318,592,230.91	163,386,562.37
Adjusted net liability	4,517,464,690.88	4,459,637,071.90
Shareholders' interests	335,183,655.79	289,071,013.70
Adjusted capital	335,183,655.79	289,071,013.70
Adjusted liability/capital ratio	13.48	15.43

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIV. OTHER SIGNIFICANT EVENTS****(1) Segment information**

1. *Preparation basis and accounting policy of the reporting segment*

According to the Company's internal organizational structure, management requirements and internal reporting system, three reporting segments are determined, which are: solar photovoltaic industry, new material industry and others. Each reporting segment of the Company provides different products or services or operates in different regions. As each segment requires different technologies or marketing strategies, the Company's management separately manages the operating activities of each reporting segment and regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) Segment information (Continued)

- (1) *Preparation basis and accounting policy of the reporting segment (Continued)*

The intersegment transfer price is determined on the basis of the actual transaction price, and the expenses indirectly attributable to each segment are distributed among the segments in accordance with the corresponding proportion. Assets are allocated according to the operation of the segment and the location of the assets. The liabilities of the segment include the liabilities attributable to the segment resulting from the segment's activities. If expenses related to liabilities shared by multiple operating segments are allocated to those operating segments, the shared liability is also allocated to those operating segments.

The non-current assets are divided by the region where the assets belong, excluding other equity instrument investments and deferred income tax assets. The Company's non-current assets are all in China.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)****(I) Segment information (Continued)***2. Financial information of the reporting segment*

Item	Solar			Inter-segment eliminations	Total
	Photovoltaic business	New materials business	Others		
External transaction income	695,622,766.16	289,400,372.19	18,370,144.62		1,003,393,282.97
Income for inter-segment transaction					
Gain from investments in associates and joint ventures	247,259.91				247,259.91
Credit impairment losses	2,701,321.98	-1,827,060.64		20,769.00	895,030.34
Asset impairment losses					
Depreciation and amortization	67,422,531.51	2,939,711.85			70,362,243.36
Total profit (total loss)	36,945,171.43	12,461,995.91	-13,990,900.99		35,416,266.35
Income tax expenses	-276,205.88	2,241,869.67			1,965,663.79
Net profit (net loss)	37,221,377.31	10,220,126.24	-13,990,900.99		33,450,602.56
Total assets	4,248,400,739.62	514,107,238.01	2,457,653,732.96	-2,048,921,133.01	5,171,240,577.58
Total liabilities	2,838,262,182.39	216,882,197.46	3,090,160,639.29	-1,309,248,097.35	4,836,056,921.79
Long-term equity investment in associate and jointly controlled enterprises	194,607,946.39				194,607,946.39
The amounts of additions to non- current assets other than long- term equity investments	-98,681,633.68	96,532,284.10			-2,149,349.58

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION****(I) Breakdown of non-recurring profit or loss for the current period**

Item	Amount	Note
Profit/loss on disposal of non-current assets	9,168,379.05	
Tax refund, deduction and exemption as a result of ultra vires or without formal approval		
Government grant recognized in current profit or loss, except for those acquired in the ordinary course of business and granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standards	23,442,512.69	
Funds occupation fee accounted for in the profit or loss of the current period charged to non-financial enterprises		
Gains arising from the difference between the investment cost for acquisition of subsidiaries, associates and joint ventures by an enterprise and the fair value of the identifiable net assets of the invested entity at the time of acquisition		
Profit or loss from swap of non-monetary assets		
Profit or loss from entrusted investment or asset management		
Provision for assets impairment due to force majeure including natural disasters		
Profit or loss from debt restructuring		
Expenses arising from enterprise restructuring, such as staff resettlement, integration, etc.		
Profit or loss from the excess of the fair value compared to the unfair consideration of a transaction		
Current net profit or loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger		
Profit or loss from contingencies irrelevant to the normal operations of the Company		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*From January to June 2020**(Unless otherwise stated, all amounts are denominated in Renminbi)***XV. SUPPLEMENTAL INFORMATION (CONTINUED)****(I) Breakdown of non-recurring profit or loss for the current period (Continued)**

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Apart from hedging instruments relating to the normal operations of the Company, profit or loss from change in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities, and other debt investments	359,741.29	
Reversal impairment provision for accounts receivable and contract assets tested for impairment separately		
Profit or loss from external entrusted loans		
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement		
Effect of one-off adjustment to current profit or loss in accordance with laws and regulations on taxation and accounting, etc.		
Income from custody fees received for entrusted management		
Gain from disposal of long-term equity investment	550,823.49	
Other non-operating income and expenses save for the above	9,478,415.32	
Other profit or loss items falling within the meaning of non-recurring profit or loss	3,569.42	
Subtotal	43,003,441.26	
Effect of income tax	9,458,204.76	
Effect of minority interests (After tax)	1,164,639.83	
Total	<u><u>32,380,596.67</u></u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

From January to June 2020

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

XV. SUPPLEMENTAL INFORMATION (CONTINUED)**(II) Return on net assets and earnings per share:**

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share <i>(RMB)</i>	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	19.37	0.0186	0.0186
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss items	4.27	0.0041	0.0041

IRICO Group New Energy Company Limited*

20 July 2020