



IRICO

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

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

2022
ANNUAL REPORT

* For identification purpose only

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Results Highlights

Operating Results

Unit: RMB0'000

Item	2022	2021 (Restated)
Operating revenue	247,028	206,706
Including: Revenue from principal business	243,695	204,848
Revenue from other businesses	3,333	1,858
Gross profit from principal business	33,389	43,673
Total profit (loss is represented by "-")	10,079	18,771
Net profit (net loss is represented by "-")	8,923	16,443
Including: Net profit attributable to the shareholders of the parent company	8,923	16,443
Minority interests	–	–
Total comprehensive income (loss is represented by "-")	1,114	17,524
Including: Total comprehensive income attributable to the shareholders of the parent company	1,114	17,524
Total comprehensive income attributable to minority shareholders	–	–

Financial Position

Unit: RMB0'000

Item	31 December 2022	31 December 2021 (Restated)
Current Assets	270,638	217,443
Non-current Assets	367,186	294,583
Current Liabilities	338,233	266,014
Non-current Liabilities	107,394	54,930
Equity Attributable to the shareholders of the parent company	192,197	191,083
Minority interests	–	–

Results Highlights (Continued)

Key Indicators

Name of indicators	2022/ 2022.12.31	2021/ 2021.12.31 (Restated)
Gearing ratio	69.87%	62.68%
Current ratio	0.80	0.82
Trade receivable turnover (days)	71	54
Inventory turnover (days)	52	47

Chairman's Statement

Dear Shareholders,

As a leading central enterprise in the global photovoltaic glass industry, the Group remained committed to the photovoltaic glass sector in 2022, improved the overall development quality and operation efficiency significantly through expanding business scale, accelerating technological innovation, consolidating the supply and marketing system, strengthening cost control and building the network of southern, central and northern solar photovoltaic glass bases with scale effect, and thus ensured progress while maintaining stability of the whole organisation.

I am pleased to present the results of IRICO Group New Energy Company Limited (“**IRICO**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”).

Chairman
Tong Xiaofei



Chairman's Statement (Continued)

Business Review

During the Reporting Period, the Group's solar photovoltaic glass business maintained rapid development on the whole. Hefei and Yan'an Bases continuously reported sound operation; the first furnace of the Shangrao Base was put into service on 30 December 2022, and the construction of other furnaces and deep-processing production lines were accelerated; the three deep-processing production lines of Phase I of Xianyang Base reached the designed capacity and offered stable supply to strategic customers. With core technologies of photovoltaic glass and the advantage of furnace scale, the Group secured greater market share in the fields of thin, large-size, double-glazed and BIPV photovoltaic glass. In the meantime, it further promoted digital construction with the focus on upgrading of intelligent production lines and improved processes and productivity.

During the Reporting Period, the Group further advanced the strategy of strong enterprise empowered by great talents, and enhanced the building of talent reserve pool and the cultivation of highly skilled talents in an orderly manner through constructing the innovation platform, improving the remuneration system, developed a new incentive pattern and standardising the promotion system.

During the Reporting Period, the Group continued to promote the industrial development driven by technological innovation, and focused on the development of thin and large-size products, the digitalisation of production lines and other key areas, rewarded with fruitful achievements. The Project of Development and Commercialisation of Large-size, Ultra-thin and Fully Tempered Photovoltaic Glass was included in the List of Selected Projects to Lead the Industrialisation of Key and Core Technologies of Shaanxi Province 2022, and the Process of Oxygen-fuel Combustion for Glass Furnace and its Commercialisation was included in the Catalogue of the State for Low-carbon Technology Promotion and granted the honour of Shaanxi Intellectual Property Model Enterprise.

During the Reporting Period, the Group accomplished the key works of the three-year action plan for reform of state-owned enterprises. With effective measures, including improving the governance system and the market-oriented business mechanism, promoting digital lean management and enhancing resource allocation, the Group further strengthened business management and cost control capabilities, effectively energised the development and consolidated the core competitiveness.

During the Reporting Period, the Group's application for initial public offering of A Shares and listing on the Shenzhen Stock Exchange (the "SZSE") was approved by the 56th review meeting of the Listing Committee for the ChiNext Market of the SZSE in 2022. The proceeds from the listing on A-Share market will be used to support Phase I of Shangrao Base and to supplement the working capital of the Group.

Future Prospects

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

Acknowledgement

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

IRICO Group New Energy Company Limited*
Tong Xiaofei
Chairman

Xianyang, the People's Republic of China
29 March 2023

Management Discussion and Analysis

Industry Analysis

In a time when climate issues are of great concern, countries around the world have made “carbon peaking and carbon neutrality” as the action plan, and it has become a consensus that development of photovoltaic industry will lead the world to a green and low-carbon future. According to the forecast of CPIA, the global new photovoltaic installed capacity will be at average of 250GW for each year of the 2022–2030 period, and the new photovoltaic installed capacity in China will be at average of 85GW each year.

Going forward, the photovoltaic glass sector will embrace unprecedented development opportunities as demands for photovoltaic installed capacity grow continuously, raw material prices experience decline and the country announces more favourable policies. The Group will remain committed to the photovoltaic glass sector and make contribution to the realisation of carbon peaking and carbon neutrality as a central state-owned enterprise.

Business Review

1. Summary of business results

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

2. Review of main businesses

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

Management Discussion and Analysis (Continued)

Business Review (Continued)

2. Review of main businesses (Continued)

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

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

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

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

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

Management Discussion and Analysis (Continued)

Financial Review

1. Results

Profit and loss data for 2018-2022 (RMB0'000)

Item	2022	2021 (Restated)	2020 (Restated)	2019 (Restated)	2018 (Restated)
Operating revenue	247,028	206,706	262,585	224,511	233,192
Including: Revenue from principal business	243,695	204,848	256,912	216,966	228,379
Revenue from other operating businesses	3,333	1,858	5,672	7,545	4,813
Operating costs	210,742	161,659	213,494	202,419	213,558
Including: Costs of principal business	210,306	161,175	210,101	197,848	211,178
Costs of other businesses	437	484	3,393	4,572	2,380
Gross operating profits	36,285	45,047	49,091	22,092	19,634
Tax and surcharges	2,257	2,116	1,340	1,190	991
Selling expenses	498	714	1,245	1,199	1,579
Administrative expenses	11,335	11,013	18,061	12,848	13,030
Research and development expenses	6,687	5,440	6,678	5,046	4,368
Finance costs	7,205	6,944	14,101	10,664	8,704
Impairment losses on assets (loss is represented by "-")	-96	-1,584	-1,200	-199	-506
Credit impairment losses (loss is represented by "-")	-126	-164	132	-405	-1,200
Other income	1,538	2,543	8,197	17,190	5,349
Investment income	348	-1,003	5,253	273	13,914
Gains from changes in fair value (loss is represented by "-")	-2	-3	-16	-1	-10
Gains on disposal of assets	69	59	-5,123	15	6
Non-operating income	55	250	970	390	223
Non-operating expense	10	147	5	793	43
Total profit (total loss is represented by "-")	10,079	18,771	15,874	7,616	8,696
Income tax expense	1,156	2,328	-3,218	207	17
Net profit (total loss is represented by "-")	8,923	16,443	19,092	7,409	8,679
Including: Net profit attributable to the shareholders of the parent company	8,923	16,443	20,897	9,314	8,130
Minority interests			-1,804	-1,906	549

Management Discussion and Analysis (Continued)

Financial Review (Continued)

1. Results (Continued)

Turnover by product category (RMB0'000)

Item	2022	2021 (Restated)
Operating revenue	247,028	206,706
Including: Solar photovoltaic business	243,695	204,848
Others	3,333	1,858

(1) Profits and losses

① Operating revenue from principal business and profit

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

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

② Administrative expenses

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

③ Finance costs

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

Management Discussion and Analysis (Continued)

Financial Review (Continued)

1. Results (Continued)

(1) Profits and losses (Continued)

④ Selling expenses

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

⑤ Research and development expenses

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

(2) Capital structure

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

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

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

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

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

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

Management Discussion and Analysis (Continued)

Financial Review (Continued)

1. Results (Continued)

(2) *Capital structure (Continued)*

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

(3) *Cash flow*

During the Reporting Period, the Group's net cash outflow from operating activities was RMB89.76 million (net cash outflow in 2021 was RMB537.90 million); net cash inflow from financing activities was RMB594.99 million (net cash inflow in 2021 was RMB358.25 million); net cash outflow from investing activities was RMB508.40 million (net cash inflow in 2021 was RMB197.94 million); the Group paid a total of RMB545.30 million for capital expenditure (2021: RMB97.90 million).

(4) *Foreign exchange risk*

The Group's income and most of its expenses were denominated in Renminbi and US dollar. During the Reporting Period, the net foreign exchange gain of the Group was RMB0.43 million (net foreign exchange gain in 2021 was RMB0.19 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

(5) *Commitments*

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

(6) *Contingent liabilities*

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

(7) *Pledged assets*

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

(8) *Pension scheme*

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

Management Discussion and Analysis (Continued)

Material Acquisition and Disposal

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

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

Significant Investment

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

Other Matters

1. Changes in Information of Directors

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

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

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

Management Discussion and Analysis (Continued)

Other Matters (Continued)

2. Proposed Initial Public Offering of A Shares

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

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

On 6 August 2021, the Board considered and approved the resolutions regarding the Proposed A Share Offering and related authorisation matters. According to the Proposed A Share Offering plan, the Company intends to apply for an initial public offering of A Shares and listing on the ChiNext of the SZSE for the allotment and issuance of not more than 58,780,000 A Shares with a par value of RMB1.00 each.

On 2 November 2021, the Board and the Supervisory Committee of the Company resolved and approved the resolution on the further plan of the Proposed A Share Offering and related matters. Such resolutions are conditional upon and subject to market conditions and the approval of the Shareholders by way of special resolutions or ordinary resolutions at the extraordinary general meeting and/or the class meetings, as well as the necessary approvals or decisions from the relevant regulatory authorities.

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

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

Management Discussion and Analysis (Continued)

Other Matters (Continued)

2. Proposed Initial Public Offering of A Shares (Continued)

The Company has submitted application materials including the A share prospectus to the SZSE in relation to the Proposed A Share Offering and received the acceptance notice issued by the SZSE in relation to the Company's application for the Proposed A Share Offering on 28 December 2021.

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

On 27 March 2023, in view of the expiration of the validity period of the resolutions relating to the Proposed A Share Offering and the validity period of the authorisation granted to the Board and its authorised persons to deal with matters related to the Proposed A Share Offering and Listing at their full discretion (the "**Validity Period of the Authorisation Granted to the Board**") as considered and approved at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting on 15 December 2021, the Board of Directors of the Company has considered and approved the extension of the validity period of the resolution of the Proposed A Share Offering and the Validity Period of the Authorisation Granted to the Board for a period of 12 months from the date on which such resolutions are considered at and approved by the extraordinary general meeting and class meetings. Save for the above extension of the validity period of the resolutions relating to the Proposed A Share Offering and the Validity Period of the Authorisation Granted to the Board, the other contents relating to the Proposed A Share Offering remain unchanged. On 4 April 2023, a circular containing details of the extension of the validity period of the resolutions relating to the Proposed A Share Offering and the Validity Period of the Authorisation Granted to the Board has been despatched to the Shareholders.

For details, please refer to the announcements of the Company dated 19 October 2020, 7 April 2021, 6 August 2021, 2 November 2021, 29 November 2021, 15 December 2021, 29 December 2021, 25 August 2022 and 27 March 2023 and the circulars dated 19 November 2021 and 4 April 2023.

Profiles of Directors, Supervisors and Senior Management

Directors

Executive Directors

Tong Xiaofei	45	Chairman
Jiang Lei	40	Executive Director

Non-executive Directors

Ni Huadong	47	Non-executive Director
Huang Weihong	39	Non-executive Director

Independent Non-executive Directors

Wu Xiaoguang	65	Independent Non-executive Director (resigned on 28 April 2022)
Su Kun	38	Independent Non-executive Director (appointed on 28 April 2022)
Li Yong	58	Independent Non-executive Director
Hao Meiping	59	Independent Non-executive Director

Mr. Tong Xiaofei (仝小飛), aged 45, is the chairman, the executive Director, the general manager, the Party secretary and the legal representative of the Company, an executive director and the legal representative of IRICO (Hefei) Photovoltaic Co., Ltd.(彩虹(合肥)光伏有限公司) (“**Hefei Photovoltaic**”), an executive director and the general manager of IRICO (Yan’an) New Energy Co.,Ltd.(彩虹(延安)新能源有限公司) (“**Yan’an New Energy**”), an executive director of Jiangxi IRICO Photovoltaic Co., Ltd. (江西彩虹光伏有限公司) and an executive director of Xianyang IRICO Photovoltaic Glass Co., Ltd. (咸陽彩虹光伏玻璃有限公司). He joined the Group in August 2003. Mr. Tong graduated from Shaanxi University of Science & Technology with a bachelor’s degree in inorganic non-metallic materials. He is a senior engineer and a member of the Chinese Communist Party. He successively served as an melting technical engineer at the melting and assembling workshop of IRICO Glass Factory, the head of the melting professional group of Photovoltaic Glass Project of IRICO, the head of the melting and assembling workshop of IRICO Photovoltaic Glass Factory, the assistant to the general manager and the deputy general manager of Hefei Photovoltaic, the executive deputy general manager of Hefei IRICO New Energy Co., Ltd., the executive deputy general manager of Hefei Photovoltaic, the assistant to the general manager of the Company, the head of the Planning and Technology Department, the deputy head and office head of the science and technology committee, and the office head of the investment review committee of IRICO Group Company Limited (“**IRICO Group**”) as well as the executive deputy general manager of the Company (presiding over work).

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors (Continued)

Mr. Jiang Lei (蔣磊), aged 40, is an executive Director of the Company and joined the Group in November 2021. Mr. Jiang, an auditor, graduated from University of International Business and Economics with a master's degree of economics. He currently serves as the chief accountant of IRICO Group. He had successively served as a staff member of the finance department of the Special Commissioner's Office for Lanzhou under the National Audit Office, a deputy chief officer, the chief officer, a deputy director of the Department of Enterprise Audit under the National Audit Office, the head and a director assistant of the property management division of Asset Management Department of China Electronics Corporation.

Mr. Ni Huadong (倪華東), aged 47, is a non-executive Director, the deputy general manager and the company secretary to the Company, a supervisor of Jiangxi IRICO Photovoltaic Co., Ltd. (江西彩虹光伏有限公司) and a supervisor of Xianyang IRICO Photovoltaic Glass Co., Ltd. (咸陽彩虹光伏玻璃有限公司), and joined the Group in May 2017. Mr. Ni graduated from Nanjing University of Finance & Economics with a bachelor's degree, majoring in investment economics and a member of the Chinese Communist Party. He had served as investment specialist of the securities department, head of the corporate management center, assistant to the head and deputy head of the securities department of Nanjing Hua Dong Electronics Group Limited (南京華東電子集團有限公司), deputy director of the secretariat of the board of directors and representative of securities affairs of Nanjing Huadong Electronics Information & Technology Co., Ltd. ("**Huadong Technology**") (a company listed on Shenzhen Stock Exchange, stock code: 000727), deputy general manager of Nanjing Tian Xi Investment Co., Ltd. (南京天熙投資有限公司), general manager of Hong Kong Hua Jin Chen Technology Company Limited (香港華金晨科技有限公司), representative of securities affairs, head of the securities department and head of office of the board of directors of Huadong Technology and the secretary to the Board of the Company.

Mr. Huang Weihong (黃衛宏), aged 39, is the non-executive Director, chief financial officer and secretary to the Board of the Company, and joined the Group in December 2019. Mr. Huang, graduated from Northwestern Polytechnical University with a master's degree in business administration, a member of the Chinese Communist Party, senior accountant and a senior auditor. He had served as an auditor of the auditing bureau of the Bureau of Agriculture and Farming of Hainan Province, the audit manager of the China Aero-Polytechnology Establishment, the head of the audit department of Shaanxi Tourism Co. Ltd.* (陝西旅遊股份有限公司), the manager and representative of securities affairs of securities affairs department of Shaanxi Tourism Culture Industry Holding Co. Ltd.* (陝西旅遊文化產業股份有限公司), and the head of the audit department of IRICO Group.

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors (Continued)

Ms. Wu Xiaoguang (吳曉光), aged 65, is an independent non-executive Director of the Company and joined the Group in September 2004. Ms. Wu was awarded a master's degree of business administration upon graduation from the Faculty of Business Administration of The Hong Kong Polytechnic University (香港理工大學). She was an independent director of Qinchuan Machine Tool&Tool Group Share Co., Ltd. ("Qinchuan Machine Tools"), Nanjing Baose Co., Ltd. ("Nanjing Baose"), an associate professor of the School of Management at Xi'an Jiaotong University, the head of the ACCA Project Centre and the director of Finance and Taxation Management Education Center, a mentor of EMBA, MBA, MPAcc and ACCA. She was appointed as the head of the ACCA Project Centre of the Accounting School of Xi'an Eurasia University (西安歐亞學院) in June 2018, the senior advisor of the international committee, the senior advisor of the Business Construction of Xi'an Eurasia University in June 2019, and the expert of the Accounting School and the head of ACCA Project Centre. On 28 April 2022, Ms. Wu resigned as an independent non-executive Director of the Company.

Mr. Su Kun (蘇坤), aged 38, an independent non-executive Director of the Company, joined the Group in April 2022. Mr. Su graduated from Xi'an Jiao Tong University (西安交通大學) with a doctorate degree in management. He is a PRC certified public accountant (CPA) and a member of the Chinese Communist Party. Mr. Su currently serves the head of the accounting department, professor and doctoral tutor of the School of Management of Northwestern Polytechnical University, and an independent director of Shaanxi Tourism Culture Industry Holding Co. Ltd.* (陝西旅遊文化產業股份有限公司, whose shares are listed on the National Equities Exchange and Quotations, stock code: 870432.OC). Mr. Su was awarded the Outstanding Young Talent of Shaanxi University, the First Prize of Teaching Achievement in Shaanxi Province and the First Prize of Excellent Achievements in Humanities and Social Sciences of Shaanxi University. In recent years, he has presided over 3 national natural science funds, 7 provincial and ministerial funds such as the Humanities and Social Sciences Foundation of the Ministry of Education, independently authored 2 monographs, edited 2 textbooks, published more than 20 international journal essays of SSCI, more than 10 important journals of the National Natural Fund Committee and more than 20 essays of CSSCI. On 28 April 2022, Mr. Su was appointed as a non-executive Director of the Company.

Mr. Li Yong (李勇), aged 58, is an independent non-executive Director of the Company and joined the Group in November 2021. Mr. Li graduated from University of Science and Technology Beijing with a doctoral degree. He is currently a professor and doctoral supervisor in the School of Materials Science and Engineering of University of Science and Technology Beijing, independent director of Ruitai Materials Technology Co., Ltd., deputy director in Engineering Materials of China Metallurgical Construction Association, deputy director of the Refractories Branch of the Chinese Ceramic Society, deputy director of Expert Committee of the Association of China Refractories Industry, and editor of journal of the Chinese Ceramic Society. He was the research engineer of Sinosteel Luoyang Institute of Refractories Research Co., Ltd., deputy manager, director of the technical centre, deputy general manager and deputy chairman of the branch of Sinosteel Refractory Co., Ltd., independent director of Zhejiang Jinlei Refractories Co., Ltd. In 2005, he was awarded the honorary title of "National Expert with Outstanding Contribution" with special government allowance. He received 8 scientific and technological progress awards at the provincial and ministerial third class and above levels.

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors (Continued)

Ms. Hao Meiping (郝梅平), aged 59, is an independent non-executive Director of the Company and joined the Group in November 2021. Ms. Hao graduated from Wuhan University of Technology with a Bachelor's degree in Inorganic Non-metallic Materials Engineering (Glass). She is currently the deputy chief engineer, special assistant to the president and professor-level senior engineer of China Building Materials Industry Planning Institute, vice chairman of the Electronic Glass Branch of the Chinese Ceramic Society, vice chairman of the Photovoltaic Building Committee of China Photovoltaic Industry Association, vice chairman of the Aerogel Branch of China Insulation & Energy Efficiency Materials Association, executive director of China Architectural and Industrial Glass Association, member of the Science and Education Committee of China Building Material Council, member of the Building Renovation and Urban Renewal Committee of Architectural Society of China, a core member of the CSTM PV System Application Technology Standard Committee, an expert in the evaluation (assessment) of major special projects and investment projects, technology centres and engineering technology centres of the National Development and Reform Commission, Ministry of Industry and Information Technology and China Development Bank, and an expert in materials engineering education accreditation of China Engineering Education Accreditation Association. She has won 19 national and provincial awards for excellent engineering consultation achievements and scientific and technological progress.

Supervisors

Chen Xiaoning	47	Shareholder Supervisor, Chairman of the Supervisory Committee
Jiang A'he	66	Independent Supervisor
Huang Zhen	52	Independent Supervisor
Zhao Lefei	53	Employee Representative Supervisor
Zhang Li	40	Employee Representative Supervisor

Mr. Chen Xiaoning (陳曉寧), aged 47, is the shareholder supervisor and chairman of the supervisory committee of the Company and joined the Group in July 1996. Mr. Chen is a member of the Chinese Communist Party and graduated from China Jiliang University with a bachelor degree of engineering, majoring in thermal test and Northwest University with an MBA degree, and is a senior engineer, a senior economist. He currently serves as the deputy general manager, a member of the Party Committee of IRICO Group and the chairman of IRICO Group (Shaoyang) Special Glass Co., Ltd. (彩虹集團邵陽特種玻璃有限公司). He served as the head of administrative office of IRICO Group, a deputy head and the head of the office of the Company, the deputy head and a secretary of discipline inspection commission of IRICO Photovoltaic Glass Factory, a deputy head of the office of Board and office of general manager of the Company, a deputy general manager, an executive director, the general manager and the legal representative of Hefei Photovoltaic, an executive director, the general manager and the legal representative of Yan'an New Energy, a deputy chief engineer of IRICO Group and the assistant to the general manager, a deputy general manager, an executive deputy general manager, an executive director, the general manager, the Party secretary and the legal representative of the Company.

Profiles of Directors, Supervisors and Senior Management (Continued)

Supervisors (Continued)

Mr. Jiang A'he (姜阿合), aged 66, an independent supervisor of the Company, joined the Group in November 2021. Mr. Jiang graduated from the Wuhan Military Academy of the People's Liberation Army with a college degree of military finance. He is an internationally registered senior accountant and a member of the Chinese Communist Party. He was the staff officer of the Survey and Mapping Information Technology Station of General Staff Department of PLA, the chief section officer of the Central Branch of the Shaanxi Provincial Audit Department, a staff member of the Xi'an Commissioner Office of the State Audit Office (responsible for human resources matters and being in charge of the 1st Audit Division), chief accountant of Hainan Caihong Industrial and Trading Corporation (海南彩虹工貿總公司), financial manager of Zhuhai Colour Pearl Industry Company Limited, the chief accountant of Xi'an IRICO Electronic Industrial Co. Ltd., the financial director of IRICO Display Devices Co., Ltd., director of the Asset and Finance Department and deputy chief accountant of IRICO Group and non-executive Director of the Company.

Mr. Huang Zhen (黃震), aged 52, an independent supervisor of the Company, joined the Group in November 2011. Mr. Huang graduated from Peking University Law School with a doctoral degree and was a post-doctoral researcher in finance at the Institute of Finance and Banking of the Chinese Academy of Social Sciences. He is currently a professor at the Central University of Finance and Economics, and an expert member of the National Committee of Experts on the Internet Financial Security Technology, Senior Researcher of the Chongyang Institute of Financial Studies, Renmin University, and Vice President of the Beijing Internet Finance Law Research Association. He was the director of the Financial Law Research Center and the vice president of the Institute of Defence Economics and Management of Central University of Finance and Economics, the vice president of the Beijing Blockchain Application Association and the Director of the China Internet Finance Innovation Institute of the Financial Times. He has been awarded as "China Internet Finance Leader", "China Internet Finance Person of the Year" and "New Finance Research Contribution Award".

Mr. Zhao Lefei (趙樂飛), aged 53, an employee representative supervisor of the Company, joined the Group in November 1990. Mr. Zhao graduated from Xianyang Normal University (咸陽師範學院) with a bachelor degree, majoring in English. He is a senior political engineer and a member of the Chinese Communist Party, and currently serves as the deputy secretary of the Communist Party Committee, the secretary of the disciplinary committee, the chairman of the labor union of the Company, and a supervisor of Hefei Photovoltaic, a supervisor of Yan'an New Energy. He served as a publicity member of the youth league committee of IRICO Group, the human resources manager of Haikou IRICO Hot Spring Hotel (海口彩虹溫泉大酒店), a member of the organisation department of the Party Committee (黨委組織部), a secretary of the Party Committee, and a director assistant of the disciplinary inspection and supervision division (紀檢監察處) of IRICO Group, the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations of IRICO Spare Parts Factory* (彩虹零件廠), the secretary of the disciplinary committee, the chairman of the labor union and the director of the integrated management department (綜合管理部) of Xi'an IRICO Zixun Co., Ltd. (西安彩虹資訊有限公司), the office director at Xi'an headquarters of IRICO Group, a deputy director and director of the office of the party and labor relations (黨群辦) of the Company.

Profiles of Directors, Supervisors and Senior Management (Continued)

Supervisors (Continued)

Ms. Zhang Li (張莉), aged 40, an employee representative supervisor of the Company, joined the Group in July 2004. Ms. Zhang graduated from Shaanxi University of Technology with a bachelor's degree in Electronics and Information Engineering and is an engineer and a member of the Chinese Communist Party. She currently serves as the director of the Company's Planning and Technology Department. She was an assistant engineer in the R&D room of technology center, head of investment project business in the Strategic Planning Department, head of project management business in the Planning and Technology Department, assistant to the head of the Planning and Technology Department of IRICO Group, and the head of investment project management business, the head of project management business of and the assistant to the head of the Planning and Technology Department in Shaanxi headquarters of IRICO Group, and the deputy director of the Planning and Technology Department of the Company (presiding over work).

Other Members of the Senior Management

Ma Zhibin	57	Deputy general manager
Wu Wenchao	57	Deputy general manager

Mr. Ma Zhibin (馬志斌), aged 57, is the deputy general manager of the Company and joined the Group in July 1987. Mr. Ma graduated from Shanghai Construction Materials College (上海建材學院) majoring in glass with college education background. He is a senior engineer and a member of the Chinese Communist Party. Mr. Ma formerly served as the technician specializing in melting, engineer, assistant to the head of workshop, vice head of the workshop, head of the work shop and Party branch secretary of IRICO Glass Factory and the vice head of the glass factory; the vice general manager and Party secretary of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹張家港平板顯示有限公司), the vice head, the head and the Party secretary of IRICO Photovoltaic Glass Factory and the general manager of Hefei Photovoltaic.

Mr. Wu Wenchao (吳文超), aged 57, the deputy general manager of the Company, the head of Xianyang IRICO Photovoltaic Glass Factory (咸陽彩虹光伏玻璃廠) and the general manager of Xianyang IRICO Photovoltaic Glass Co., Ltd (咸陽彩虹光伏玻璃有限公司) joined the Group in July 1989. Mr. Wu graduated from Shaanxi Engineering College with a bachelor degree in machine manufacturing technology and equipment, and is a senior engineer and a member of the Chinese Communist Party. He served as a leader and an engineer of the grinding group of No. 2 drilling workshop, an engineer and an associate chief engineer of the processing technique office of the technical section, the deputy head and the head of the factory office, the head of the technical and quality section, an assistant to the factory director and the deputy factory director of IRICO Glass Factory, an assistant to the factory director and the head of the technical and quality department as well as the deputy factory director and factory director of IRICO Photovoltaic Glass Factory, and the assistant to the general manager of the Company.

Profiles of Directors, Supervisors and Senior Management (Continued)

Changes in Directors, Supervisors and Senior Management

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

Ms. Wu Xiaoguang has ceased to serve as an independent non-executive Director of the Company since 28 April 2022.

Mr. Su Kun has served as an independent non-executive Director of the Company since 28 April 2022.

Report of the Board

The Board hereby presents the report of the Board and the audited financial report of the Group for the year ended 31 December 2022 to the Shareholders.

Principal operations

During the Reporting Period, the Group was principally engaged in the research and development, manufacturing and sale of solar photovoltaic glass.

Business review and future development

During the Reporting Period, the Group's solar photovoltaic glass business maintained rapid development on the whole. Hefei and Yan'an Bases continuously reported sound operation; the first furnace of Shangrao Base was put into service on 30 December 2022, and the construction of other furnaces and deep-processing production lines were accelerated; the three deep-processing production lines of Phase I of Xianyang Base reached the designed capacity and offered stable supply to strategic customers. With core technologies of photovoltaic glass and the advantage of furnace scale, the Group secured greater market share in the new fields of thin, large-size, double-glazed and BIPV photovoltaic glass. In the meantime, it further promoted digital construction with the focus on upgrading of intelligent production lines and improved processes and productivity.

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

Major risks and uncertainties

During the Reporting Period, although the Group ranked among the top in the industry in terms of capacity and scale, there was still a gap between the Group and the top two, while the development of the photovoltaic glass business was affected by market factors such as rising raw material costs and price fluctuations. Faced with such a situation, the Group continues being prepared for seizing the opportunities arising from the carbon peaking and carbon neutrality goals, and will refer to benchmarking enterprises, step up R&D efforts to achieve innovation, accelerate the expansion of capacity and strengthen the cost advantage, to further expand the market share in the photovoltaic glass industry and improve the profit of photovoltaic glass business.

Environmental protection policy

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

Compliance with relevant laws and regulations

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

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

Results and dividend

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

For the analysis on the financial indicators of the results of the Company for the year 2022, please refer to the section headed “Management Discussion and Analysis” in this report.

The annual results of the Group for the year ended 31 December 2022 and its financial position as at the same date prepared in accordance with PRC Accounting Standards for Business Enterprises are set out from page 98 to 113 of this annual report.

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

In light of the absence of accumulated surplus in 2022, the Board has resolved not to distribute any final dividends for the year ended 31 December 2022, which is subject to the approval from shareholders at the forthcoming annual general meeting.

Report of the Board (Continued)

Five-year financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited and adjusted (if applicable) financial statements, is set out on page 292 of this annual report. This summary does not form part of the audited financial statements.

Share capital

Details of the Company's share capital in 2022 and as at 31 December 2022 are set out in note V, (XXXIV) to the financial statements for 2022.

Purchase, redemption and sale of shares of the Company

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

Reserves

Details of the movements of reserves of the Company and of the Group during 2022 are set out in Consolidated Statement of Changes in Owner's Equity.

Distributable reserves

As at 31 December 2022, the Company had no reserves available for distribution.

Major customers and suppliers

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

Purchases

- The largest supplier accounted for 15% of the total purchase amount
- The five largest suppliers accounted for 39% of the total purchase amount

Sales

- The largest customer accounted for 14% of the total sales amount
- The five largest customers accounted for 48% of the total sales amount

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

Report of the Board (Continued)

Directors, supervisors and senior management

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

Name	Positions	Date of appointment/change/ resignation during the Reporting Period
Tong Xiaofei	Executive Director, Chairman	
Jiang Lei	Executive Director	
Ni Huadong	Non-executive Director	
Huang Weihong	Non-executive Director	
Wu Xiaoguang	Independent Non-executive Director	Resigned on 28 April 2022
Su Kun	Independent Non-executive Director	Appointed on 28 April 2022
Li Yong	Independent Non-executive Director	
Hao Meiping	Independent Non-executive Director	
Chen Xiaoning	Shareholder Supervisor, Chairman of Supervisory Committee	
Zhao Lefei	Employee Representative Supervisor	
Zhang Li	Employee Representative Supervisor	
Jiang A'he	Independent Supervisor	
Huang Zhen	Independent Supervisor	
Tong Xiaofei	General Manager	
Ma Zhibin	Deputy General Manager	
Wu Wenchao	Deputy General Manager	
Ni Huadong	Deputy General Manager, Company Secretary	
Huang Weihong	Chief Financial Officer, Secretary to the Board	

Biographical details of Directors, supervisors and senior management are set out on pages 15 to 21 of this annual report .

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

Remuneration of Directors and the five highest-paid individuals

Details of the remuneration of Directors and the highest-paid individuals of the Group are set out in note X , (V), 5 to the financial statements for 2022.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2022.

Report of the Board (Continued)

Remuneration of senior management

According to Code Provision E.1.5 of the Corporate Governance Code, the details of the annual remuneration of the senior management for the year 2022 which are contained in note X, (V), 5 to the financial statements for 2022 in this annual report are as follow:

Name	Fees <i>RMB</i>	Remuneration and allowance <i>RMB</i>	Performance bonus <i>RMB</i>	Pension insurance <i>RMB</i>	Others <i>RMB</i>	Total <i>RMB</i>
Tong Xiaofei	–	320,780.00	509,583.00	36,787.20	53,088.19	920,238.39
Ma Zhibin	–	244,880.00	366,419.00	37,689.60	42,749.52	691,738.12
Wu Wenchao	–	247,280.00	381,579.00	37,689.60	42,749.52	709,298.12
Ni Huadong	–	296,060.00	276,156.00	37,689.60	42,749.52	652,655.12
Huang Weihong	–	245,480.00	381,188.00	37,689.60	42,749.52	707,107.12

Directors' and supervisors' interests in contracts

Save as disclosed in this report, no contract of significance in relation to the Company's business to which the Company or its subsidiaries were a party and in which a Director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or anytime during 2022.

Directors' and supervisors' service contracts

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

Permitted indemnity provision

During the Reporting Period and as at 31 December 2022, the Company has purchased liability insurance for its Directors and supervisors to provide appropriate guarantee to the Directors and supervisors of the Group.

Report of the Board (Continued)

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

As at 31 December 2022, none of the Directors, supervisors or chief executives and their respective associates held an interest and short position in shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such directors, supervisors, chief executives or senior management personnel were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

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

Interests and short positions of substantial Shareholders and other parties

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or member of the Company’s senior management, had an interest or short position in the Company’s shares or underlying shares (as the case may be) as at 31 December 2022 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

China Electronics Corporation* (中國電子信息產業集團有限公司) (“CEC”), through IRICO Group Company Limited (“IRICO Group”) and its subsidiary, Rui Bou Electronics (HK) Limited, had interests in 53,153,400 domestic shares (representing 66.38% of the domestic share capital of the Company) and 7,556,500 H shares of the Company; CEC, through Xianyang Zhongdian IRICO Group Holdings Ltd.* (“Zhongdian IRICO”), also had interests in 25,214,300 H shares of the Company; CEC, through CEC Capital Investment Holdings Company Limited* (中電金投控股有限公司) (“CEC Capital Investment”), had interests in 26,920,000 domestic shares (representing 33.62% of the domestic share capital of the Company) and 19,230,000 H shares of the Company. HKSCC Nominees Limited had interests in 96,150,146 H shares of the Company (representing 99.90% of the H share capital of the Company).

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

Report of the Board (Continued)

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

Notes:

As of 31 December 2022, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 96,150,146 H shares, among which:

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

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

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

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

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

Competing Interests

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

Management contracts

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

Designated deposit and overdue time deposit

As of 31 December 2022, the Group had no designated deposits in any financial institutions in China. All of the Group's cash deposits are placed with commercial banks in China, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

Employees, retirement benefits and other benefits

As of 31 December 2022, the Group had a total of 2,120 incumbent employees, all of whom were full-time employees, and were Chinese nationals working in China. Among all incumbent employees, approximately 6.23% were management and administrative personnel, 4.01% were technological personnel, 1.51% were financial and audit personnel, 1.08% were sales and marketing personnel and 87.17% were production employees.

The employment and remuneration policy of the Company remained the same as set out in the Company's prospectus dated 8 December 2004. With full enthusiasm in work, the Group's employees are committed to ensuring the high quality and reliability of products and services. As of 31 December 2022, the Company did not implement any long-term incentive schemes.

* Excluding dispatched employees.

Connected transactions

The connected transactions recorded during the year are as follows:

1. Continuing connected transactions during the year of 2022

For the year ended 31 December 2022, there were various continuing connected transactions (the "Continuing Connected Transactions") between the Group and the following connected persons of the Group (collectively, the "Connected Persons" and each a "connected person" under the Listing Rules).

- (1) IRICO Group is a substantial Shareholder of the Company and a connected person of the Company;
- (2) Zhongdian IRICO is a substantial Shareholder of the Company and a connected person of the Company;
- (3) CEC Industrial Internet Co., Ltd.* (中電工業互聯網有限公司) ("CEC Internet") is a subsidiary of CEC and thus a connected person of the Company;
- (4) China Elec-Trans Int'l Service Co., Ltd.* (捷達國際運輸有限公司) ("CETIS") is a subsidiary of CEC and thus a connected person of the Company;
- (5) China Electronics Optics Valley Union Holding Company Limited ("CEOVU") is a subsidiary of CEC and thus a connected person of the Company; and
- (6) 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) ("CESE3") is a subsidiary of CEC and thus a connected person of the Company.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

For the year ended 31 December 2022, the approved annual caps for each of the continuing connected transactions (the “Annual Caps”) and the actual revenue or expenditure in respect of each of the continuing connected transactions are set out below:

No.	Item	Annual Caps for Connected Transaction of 2022 <i>RMB'000</i>	Amount incurred for Connected Transaction of 2022 <i>RMB'000</i>
(1)	IRICO Group Master Purchase Agreement Purchase of packaging materials and raw materials, electricity, facilities and ancillary services from IRICO Group and its associates	160,309	53,337
(2)	Zhongdian IRICO Master Purchase Agreement Purchase of raw materials for solar photovoltaic business, production line facilities and installation services, other energy operation and maintenance services and medical examination services and others from Zhongdian IRICO and its associates	334,902	45,591
(3)	CEC Internet Master Purchase Agreement Purchase of intelligent facility systems for solar photovoltaic production and ancillary services and others from CEC Internet and its associates	22,700	956
(4)	IRICO Group Master Sales Agreement Sales of coated and tempered glass, heating water for power generation by waste heat and others to IRICO Group and its associates	52,165	957
(5)	Master Transportation Services Agreement Provision of transportation services by CETIS and its associates to the Group	10,849	5,289
(6)	CEOVU Master Purchase Agreement Purchase of office building and factory renovation services and related ancillary services from CEOVU, its subsidiaries and/or its associates.	30,000	5,813
(7)	CESE3 Master Purchase Agreement Purchase of heating, ventilation and air conditioning facilities, and facility procurement and installation and related ancillary services for solar photovoltaic production from CESE3 and/or its associates	50,000	0

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

The consideration for each of the connected transactions listed above during the Reporting Period is set out in the respective agreements with relevant connected persons, details of which were set out in the Company's announcements dated 26 October 2021, 31 December 2021, 31 August 2022 and 19 October 2022 and the circulars dated 15 December 2021 and 26 September 2022.

(1) *IRICO Group Master Purchase Agreement*

Date:	26 October 2021
Parties:	(i) the Company; and (ii) IRICO Group
Term:	1 January 2022 to 31 December 2024, subject to early termination by the Company by giving at least three months' prior written notice to IRICO Group. IRICO Group shall not unilaterally terminate the IRICO Group Master Purchase Agreement without written consent of the Company.
Nature of transactions:	The Group shall purchase packaging materials and raw materials for photovoltaic production business, electricity, facilities and ancillary services from IRICO Group and its associates.
Pricing policy:	(i) The prices for packaging materials and services for photovoltaic production and facilities and ancillary services shall be determined in accordance with the Market Price (as defined below):

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

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(1) *IRICO Group Master Purchase Agreement (Continued)*

Upon receipt of quotations from IRICO Group, the designated persons of the Group (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase contracts) will determine the prices proposed or charged by independent third parties, usually by mail, fax, telephone or by posting a tender notice through various media resources (e.g. local newspapers) to obtain quotations from at least two independent third parties for comparable quantities of the same or similar products or services, the average of which is the market price. The selling prices of each category of products or services will be reviewed by the procurement department of the Group and submitted to the head of such department for approval.

- (ii) The prices for the electricity shall be determined based on arm's length negotiations between the relevant parties with reference to (a) the Government-prescribed Price (as defined below); and (b) reduction from the government incentives offered by Anhui Provincial Government to IRICO Group. After taking into account the government incentives offered by Anhui Provincial Government to IRICO Group for the building and operation of the electrical transformer substation for the development of the new industrial area in Hefei City, Anhui Province, the overall unit price of electricity supplied by IRICO Group to the Company will be lower than the Government-prescribed Price.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(1) IRICO Group Master Purchase Agreement (Continued)

“Government-prescribed Price” means the prices of electricity in Anhui Province as prescribed by the State Grid Corporation of China. According to the “Notice of Anhui Province Development and Reform Commission on Matters Relating to the Adjustment of Price of Electricity Sales in the Province (Wan Fa Jia Ge [2020] No. 654)” (《安徽省發展改革委關於調整我省銷售電價有關事項的通知(皖發價格[2020]654號)》) (for details, please refer to <https://www.wuhu.gov.cn/openness/public/6604551/29704691.html>), which took effect since 1 January 2021, the current state-prescribed rate of electricity for industrial and commercial use is approximately RMB0.9792 per kWh for peak seasons and RMB0.6048 per kWh for regular period. If the PRC government implements relevant policies, regulations or guidelines which amend the state-prescribed rate of electricity, the price of electricity purchased by the Group shall be adjusted accordingly from the implementation date of such policies, regulations or guidelines.

Upon receipt of quotations from IRICO Group, the designated persons of the Group (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase contracts) will make comparison with relevant prices charged by independent third parties in the same region. In case there is an adjustment to the prices of electricity in Anhui Province as prescribed by the State Grid Corporation of China, the prices will be adjusted correspondingly based on arm’s length negotiations between the relevant parties. The quotation of electricity will be reviewed by the procurement department of the Group and submitted to the head of such department for approval.

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

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(2) *Zhongdian IRICO Master Purchase Agreement*

Date:	26 October 2021
Parties:	(i) The Company; and (ii) Zhongdian IRICO
Term:	1 January 2022 to 31 December 2024, subject to early termination by either party by giving at least three months' prior written notice to the other party.
Nature of transactions:	The Group shall purchase raw materials for solar photovoltaic business, production line facilities and installation services, other energy operation and maintenance services, medical examination services and others from Zhongdian IRICO and its associates.
Pricing policy:	(i) The prices for such materials for solar photovoltaic business shall be determined in accordance with the "Market Price" (as defined below): "Market Price" shall be determined in accordance with the following order: (a) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (b) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(2) *Zhongdian IRICO Master Purchase Agreement (Continued)*

Upon receipt of quotations from Zhongdian IRICO, the designated persons of the Group will determine the prices proposed or charged by independent third parties, usually by mail, fax, telephone or by posting a tender notice through various media resources (e.g. local newspapers) to obtain quotations from at least two independent third parties for comparable quantities of the same or similar products, the average of which is the market price. The selling prices of each category of products will be reviewed by the procurement department of the Group and submitted to the head of such department for approval.

- (ii) The prices for production line facilities and installation services, energy operation and maintenance services and medical examination services shall be determined in accordance with the following policies:
 - (a) where there is Government-prescribed Price (as defined below), in respect of the procurement of the production line facilities and installation services, energy operation and maintenance services and medical examination services, the prices shall be determined based on arm's length negotiations between the independent third parties with reference to the Government-prescribed Price; or
 - (b) where there is no Government-prescribed Price, the prices shall be determined based on arm's length negotiations between the independent third parties with reference to reasonable costs incurred plus reasonable profit of around 5–10% of such reasonable cost (as calculated under the Accounting Standards for Business Enterprises of the PRC and the Directors are of the view that such profit is fair and reasonable). The reasonable costs primarily include raw materials, labour, taxation, management fee, etc.

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(2) *Zhongdian IRICO Master Purchase Agreement (Continued)*

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

“Government-prescribed Price” means the guidelines for prices of equipment installation services, energy operation and maintenance services and medical examination services under the Zhongdian IRICO Master Purchase Agreement as prescribed in the notices published by Shaanxi Provincial Price Bureau, Shaanxi Provincial Development and Reform Commission and other relevant regulatory authorities from time to time.

To ensure that prices to be charged by Zhongdian IRICO are no less favourable than those available from independent third parties, the designated persons of the Group will make comparison with relevant prices charged by independent third parties in the same or nearby region or the actual costs incurred. In case there is an adjustment to the prices of production line facilities and installation services, kinetic operation and maintenance services and medical examination services as prescribed in the notices published by Shaanxi Provincial Price Bureau, Shaanxi Provincial Development and Reform Commission and other relevant regulatory authorities, the prices will be adjusted correspondingly based on arm’s length negotiations between Zhongdian IRICO and the Company. The quotation of production line facilities and installation services, kinetic operation and maintenance services and medical examination services will be reviewed by the procurement department of the Company and submitted to the head of such department for approval.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(3) CEC Internet Master Purchase Agreement

Date:	26 October 2021
Parties:	(i) The Company; and (ii) CEC Internet
Term:	1 January 2022 to 31 December 2024, subject to early termination by the Company by giving at least three months' prior written notice to CEC Internet. CEC Internet shall not unilaterally terminate the CEC Internet Master Purchase Agreement without written consent of the Company.
Nature of transactions:	The Company shall purchase intelligent facility systems for solar photovoltaic production and ancillary services and others from CEC Internet and its associates.
Pricing policy:	The prices for such facilities and services shall be determined in accordance with the "Market Price" (as defined below).

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

Upon receipt of quotations from CEC Internet, the designated persons of the Group (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase contracts) will determine the prices proposed or charged by independent third parties, usually by mail, fax, telephone or by posting a tender notice through various media resources (e.g. local newspapers) to obtain quotations from at least two independent third parties for comparable quantities of the same or similar equipments and services, the average of which is the market price. The selling prices of each category of equipments and services will be reviewed by the procurement department of the Group and submitted to the head of such department for approval.

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

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(4) IRICO Group Master Sales Agreement

Date:	26 October 2021
Parties:	(i) the Company; and (ii) IRICO Group
Term:	1 January 2022 to 31 December 2024, subject to early termination by either party by giving at least one month prior written notice to the other party.
Nature of transactions:	The Group shall sell the coated and tempered glass and heating water for power generation by waste heat (餘熱發電用水) and others to IRICO Group and its associates.
Pricing policy:	The prices for the coated and tempered glass and heating water for power generation by waste heat (餘熱發電用水) shall be determined in accordance with the Market Price (as defined below).

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

Upon receipt of order from IRICO Group, the marketing department and the designated persons of the Company (namely, the business planning executives, who are primarily responsible for the examination and approval of the sales plans and the execution of sales contracts) will determine the prices proposed or charged by independent third parties, usually by mail, fax, telephone or by posting a tender notice through various media resources (e.g. local newspapers) to obtain quotations from at least two independent third parties for comparable quantities of the same or similar products, so that the average of which is taken as the market price. The selling prices of each category of products will be approved by the marketing department of the Company.

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

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(5) *Master Transportation Services Agreement*

Date:	26 October 2021
Parties:	(i) The Company; and (ii) CETIS
Term:	1 January 2022 to 31 December 2024, subject to early termination by either party by giving at least three months' prior written notice to the other party.
Nature of transactions:	CETIS and its associates shall provide transportation services to the Group.
Pricing policy:	The prices for the transportation services shall be determined in accordance with the market price.

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

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

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(6) CEOVU Master Purchase Agreement

Date: 31 August 2022

Parties: (i) the Company; and
(ii) CEOVU

Term: Commencing from the signing date of the CEOVU Master Purchase Agreement and ending on 31 December 2024. Either party shall not unilaterally terminate the CEOVU Master Purchase Agreement without written consent of the other party.

Nature of transactions: The Group shall purchase office building and factory renovation services and its related ancillary services from CEOVU, its subsidiaries and/or its associates.

Pricing policy: The prices for office building and factory renovation services and its related ancillary services shall be determined in accordance with the "Market Price" (as defined below).

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

Upon receipt of quotations from CEOVU, the designated persons of the Company and its subsidiaries (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase agreement) will determine the prices proposed or charged by independent third parties, usually by mail, fax, telephone or by posting a tender notice through various media resources (e.g. local newspapers) to obtain quotations from at least two independent third parties for comparable quantities of the same or similar services, the comprehensive consideration value of which is the market price. The prices of the services will be reviewed by the procurement department of the Company and its subsidiaries and submitted to the head of such department for approval.

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

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

(7) CESE3 Master Purchase Agreement

Date: 31 August 2022

Parties: (i) the Company; and
(ii) CESE3

Term: Commencing from the signing date of the CESE3 Master Purchase Agreement and ending on 31 December 2024. Either party shall not unilaterally terminate the CESE3 Master Purchase Agreement without written consent of the other party.

Nature of transactions: The Group shall purchase heating, ventilation and air conditioning facilities and the procurement and installation of facilities and services and related ancillary services for its solar photovoltaic production from CESE3 and/or its associates.

Pricing policy: The prices for heating, ventilation and air conditioning facilities and the procurement and installation of facilities and services and its related ancillary services for its solar photovoltaic production shall be determined in accordance with the "Market Price" (as defined below).

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

Upon receipt of quotations from CESE3, the designated persons of the Company and its subsidiaries (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase agreement) will determine the prices proposed or charged by independent third parties, usually by mail, fax, telephone or by posting a tender notice through various media resources (e.g. local newspapers) to obtain quotations from at least two independent third parties for comparable quantities of the same or similar services, the comprehensive consideration value of which is the market price. The prices of the services will be reviewed by the procurement department of the Company and its subsidiaries and submitted to the head of such department for approval.

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

Report of the Board (Continued)

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2022 (Continued)

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

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

The auditor of the Company had given a letter to the Directors of the Company, which sets out the conclusion on the disclosed continuing connected transactions as follows:

- (1) Nothing has come to the attention of the auditor that causes it to believe that the transactions have not been approved by the board of directors of the Company;
- (2) Nothing has come to the attention of the auditor that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Company;
- (3) Nothing has come to the attention of the auditor that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (4) Nothing has come to the attention of the auditor that causes it to believe that the total amount of the continuing connected transactions has exceeded the annual cap which the Company has determined.

Connected transactions (Continued)

2. One-off connected transactions

(1) *Disposal of 39% Equity Interest in Hanzhong Jiarunze*

In order to optimize the asset structure of the Company so that the Company can focus on developing and strengthening the solar photovoltaic glass business, on 29 March 2022, the Company entered into the Equity Transfer Agreement with IRICO Import & Export, pursuant to which the Company has agreed to dispose of and IRICO Import & Export has agreed to acquire 39% equity interest in Hanzhong Jiarunze at the consideration of RMB9,149,205 in cash (the “Disposal”). During the reporting period, the Disposal has been completed, and the Company no longer holds any equity in Hanzhong Jiarunze.

On 29 March 2022, IRICO Group is the controlling shareholder of the Company. As IRICO Import & Export is directly held as to 100% by IRICO Group and is an associate of IRICO Group, IRICO Import & Export is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal is subject to the notification and announcement requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated on 29 March 2022.

(2) *Jiangxi Photovoltaic Purchase Contract*

On 18 May 2022, Jiangxi IRICO Photovoltaic Co., Ltd. (“**Jiangxi Photovoltaic**”), a wholly-owned subsidiary of the Company, entered into the Purchase Contract with CESE3. Pursuant to which, Jiangxi Photovoltaic proposed to purchase furnace auxiliary fans and supporting services from CESE3 at a total consideration of RMB7,952,880.00. Entering into the Purchase Contract is necessary and of significant importance for the normal operation of Jiangxi Photovoltaic.

On 18 May 2022, CESE3 is a subsidiary of CEC, the controlling Shareholder of the Company. CESE3 is an associate of CEC and a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Purchase Contract constitute connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the transaction contemplated under the Purchase Contract exceeds 0.1% but less than 5%, the transaction is subject to the notification and announcement requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 18 May 2022.

Report of the Board (Continued)

Connected transactions (Continued)

2. One-off connected transactions (Continued)

(3) *Hefei Photovoltaic Renovation Contracts*

In order to improve and optimize infrastructure construction and ensure the safety of the production environment, on 18 May 2022, Hefei Photovoltaic, a wholly-owned subsidiary of the Company, entered into (i) the Office Building Design and Renovation Contract with Wuhan Lido Technology Company Limited (“**Wuhan Lido**”), pursuant to which Wuhan Lido was entrusted to undertake the integrated project of design and construction of the technology center building; the contracting method is total fixed amount, and the total project price (tax inclusive) is RMB2,876,000; and (ii) the Renovation Contract for the Office Area of Phase III Plant (together with the Office Building Design and Renovation Contract, the “**Renovation Contracts**”) with Wuhan Lido, pursuant to which Wuhan Lido was entrusted to undertake the project design, decoration and renovation of Phase II of improvement and construction of the office area of Phase III plant; the contracting method is total fixed amount, and the design fee and decoration project fee (tax inclusive) is RMB3,560,000.

On 18 May 2022, Wuhan Lido is a subsidiary of a 30%-controlled company of China Electronics International Information Service Co., Ltd. (“**CECIS**”), which is a subsidiary of CEC. Wuhan Lido is an associate of CEC and a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Renovation Contracts constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As Hefei Photovoltaic and Wuhan Lido entered into the Renovation Contracts on the same date and the nature of the transactions under the Renovation Contracts are similar, the Company has aggregated the transactions contemplated under the Renovation Contracts. As the highest applicable percentage ratio in respect of the Renovation Contracts (after aggregation) exceeds 0.1% but is less than 5%, the Renovation Contracts are subject to the notification and announcement requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 18 May 2022.

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

Save as disclosed above, The other related party transactions as set out in note X to the financial statements do not constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules, or have constituted connected transactions/continuing connected transactions under the Listing Rules, but are exempt from the disclosure and independent shareholders' approval requirements of the Listing Rules.

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

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

Report of the Board (Continued)

Bank loans

As at 31 December 2022, details of bank loans of the Group are set out in note V, (XX), (XXVII), (XXIX), (XXXI) to the financial statements.

Pre-emptive rights

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

Subsidiaries

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

External guarantee

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

Material litigation

During the Reporting Period, the Group had no material litigation.

Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. During the financial year ended 31 December 2022, the Company has complied with the Code Provisions of the CG Code, except for the following deviation:

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

Report of the Board (Continued)

Model Code

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

Public float

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

Audit committee

The audit committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2022, including the accounting principles adopted by the Group.

Auditor

As approved at the 2021 annual general meeting held on 16 June 2022, BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) was re-appointed as the auditor of the Company for year 2022. In the past three years, namely 2020, 2021 and 2022, the Company has not changed the auditors. For details, please refer to the announcement of the Company dated 16 June 2022.

The financial statements of the Company for the year 2022 have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP. For further information of the auditors of the Company, please refer to "External auditor and their remunerations" under Corporate Governance Report of this annual report.

By order of the Board
Tong Xiaofei
Chairman

Xianyang, the People's Republic of China

29 March 2023

Report of the Supervisory Committee

In 2022, all members of the supervisory committee of the Company (the “**Supervisory Committee**”) complied with the principle of integrity, were responsible to all Shareholders and sincerely performed the duties of supervision to practically safeguard the interests of the Shareholders in strict compliance with relevant provisions under relevant laws and regulations of China and the Articles of Association. They supervised and examined significant operating activities, the financial status of the Company, performance of duties by the Directors and senior management and the compliance with relevant laws and regulations in 2022. I hereby present the work report of 2022 as follows:

During this year, pursuant to the requirement of the Articles of Association, the Supervisory Committee has reviewed financial reports regularly. The Supervisory Committee held two on-site meetings, and reviewed the following proposals: the 2021 work report of the Supervisory Committee, the audited financial report of 2021, the 2021 report of profit distribution plan and the reviewed financial report of the Company for the first half of 2022. The convening of the above meetings were in compliance with the relevant requirements of the PRC Company Law and the Articles of Association.

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

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

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

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

Xianyang, the People’s Republic of China

29 March 2023

Environmental, Social and Governance Report

This environmental, social and governance (“ESG”) report (the “Report”) was prepared to present the performance of environmental and social responsibility of IRICO Group New Energy Company Limited* (the “Company”) and its subsidiaries (collectively, the “Group”) for the year from 1 January 2022 to 31 December 2022 (the “Reporting Period”). This Report was prepared with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “Board”) of the Company is responsible for evaluating and determining the Company’s ESG-related risks, and ensuring that long-term effective ESG supervision mechanisms are in place. The management of the Company has confirmed to the Board that these mechanisms are effective. For further details, please refer to the section headed “Corporate Governance Report – Control mechanism” in the 2022 annual report of the Company.

Reporting Principles

The report follows the principles below:

Materiality: The content disclosed in this ESG report is sufficient to represent material issues related to the environmental and social factors of the Company and assist our investors or shareholders in understanding the performance of the Company.

Quantitative: Key performance indicators for environmental aspects are explained and evaluated in a measurable method which can showcase the effectiveness of ESG policies and management systems.

Balance: The Company ensures that the information is presented in an unbiased manner which can reflect a comprehensive picture of the Company’s sustainability performance and avoid disclosure methods that affect decision-making or judgment of report reader.

Consistency: The Report follows the statistics disclosure methodology adopted in the previous annual Report, and makes meaningful comparisons of relevant environmental, social and governance data.

Part I Environmental

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

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Environmental Protection

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

Environmental Management

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

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

Emissions

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

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

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

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Emissions (Continued)

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

The emissions generated during the production process of the Group mainly include: exhaust gas (particulate matter, oxynitride, sulfur dioxide), wastewater, and solid waste (grinding sludge and cullet). In 2022, emissions from its enterprises in Xianyang, Yan'an and Hefei after meeting relevant standards included: 17.6 tonnes of particulate matter in photovoltaic kiln exhaust gas, 103.84 tonnes of sulphur dioxide, 246.21 tonnes of oxynitride, 2.305 million tonnes of wastewater, 6,422 tonnes of standardized treatment of grinding sludge, and all photovoltaic cullet was recycled.

Online Monitoring, Supervisory Monitoring and Independent Monitoring

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

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

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

Promoting Environmental Management System

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

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Environmental Protection Target and Completion

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

In 2022, the Group earnestly followed the laws and regulations on environmental protection. Major pollutants were discharged after meeting relevant standards and the disposal of solid waste was legal. There were no environmental incidents in the Group during the Reporting Period.

Training on Environmental Protection

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

Use of Resources

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

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Improving Utilization Rate of Natural Gas with Oxygen-fuel Combustion Furnaces

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

Power consumption in 2021 *Unit: kWh*

Headquarters	11,186,082
Hefei Photovoltaic	211,959,625
Yan’an New Energy	156,125,752

Total **379,271,459**

Power consumption in 2022 *Unit: kWh*

Headquarters and Xianyang IRICO Photovoltaic Glass Co., Ltd. (“Xianyang Photovoltaic”)	21,367,200
Hefei Photovoltaic	243,636,153
Yan’an New Energy	160,199,200

Total **425,202,553**

In 2022, the Group effectively improved its production efficiency through improvement of production process and adoption of new technologies and equipment. In 2022, the total power consumption of the Group increased by 12.11% from 379,271,459 kWh in 2021 to 425,202,553 kWh, while the total production output increased by 38.62% year on year. Per unit power consumption for photovoltaic glass production in 2022 was 3.64 kWh/square meter, decreasing by 19.11% from 4.50 kWh/square meter in 2021. It should be noted that Xianyang Photovoltaic was put into operation in 2022.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Improving Utilization Rate of Natural Gas with Oxygen-fuel Combustion Furnaces (Continued)

Natural gas consumption in 2021 *Unit: cubic meters*

Headquarters	0
Hefei Photovoltaic	93,925,021
Yan'an New Energy	44,330,714

Total **138,255,735**

Natural gas consumption in 2022 *Unit: cubic meters*

Headquarters and Xianyang Photovoltaic	0
Hefei Photovoltaic	128,950,414
Yan'an New Energy	48,350,700

Total **177,301,114**

The Group reduced natural gas consumption through enhanced internal management, strict evaluation and adoption of technical improvement measures. In 2022, the total natural gas consumption of the Group increased by 28.24% from 138,255,735 cubic meters in 2021 to 177,301,114 cubic meters, while the total production output increased by 38.62% year on year. Per unit natural gas consumption in 2022 was 1.52 cubic meters/square meter, decreasing by 7.32% from 1.64 cubic meters/square meter in 2021. It should be noted that the production process of IRICO Photovoltaic Glass Factory, the headquarters of the Company and Xianyang Photovoltaic is the processing of the original glass. Natural gas was not consumed.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Wastewater Utilization and Treatment

The Group has made multiple efforts on water saving and emission reduction. All photovoltaic glass plants in Hefei, Yan'an and Xianyang are equipped with wastewater treatment systems with an annual treatment of 3.343 million tonnes of industrial wastewater and 2.0058 million tonnes of recycling water. The recycling rate of water resources was over 80%.

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

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

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

Water consumption in 2021	Unit: tonnes
Headquarters	4,137.50
Hefei Photovoltaic	1,687,431
Yan'an New Energy	758,926
Total	2,450,494.50

Water consumption in 2022	Unit: tonnes
Headquarters and Xianyang Photovoltaic	13,677
Hefei Photovoltaic	1,540,373
Yan'an New Energy	763,742
Total	2,317,792

In 2022, the total water consumption of the Group decreased by 5.42% from 2,450,494.50 tonnes in 2021 to 2,317,792 tonnes, while the total production output increased by 38.62% year on year. Per unit water consumption in 2022 was 198.34 tonnes/10,000 square meters, decreasing by 31.61% from 290 tonnes/10,000 square meters in 2021. The Group did not encounter any problems or difficulties in ensuring sufficient water supply for production.

Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Waste Heat Utilization

In order to reduce energy consumption and production cost, the Group vigorously promotes heating with waste heat at the production bases in Yan'an and Hefei, and has reduced a heating fee of RMB690,000 every year. The base in Hefei uses waste heat for power generation and the power generated for the year amounted to 43.822 million kWh, all for its own use. The targets of energy saving, emission reduction, cost cutting and efficiency improvement has been achieved.

Photovoltaic Power Generation

The Group actively responded to the national policy call, seized the opportunity of energy structure adjustment and “dual carbon” development, and promoted the distributed photovoltaic power programs in Xianyang, Hefei and Yan'an, with 13.8375 million kWh power generated through photovoltaic power programs for the year, all for its own use, which transformed solar energy into power, achieved the utilization of recyclable energy and contributed green and clean energy to the society.

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

Packaging materials (wood) consumption in 2021

Unit: tonnes

Headquarters	350
Hefei Photovoltaic	5,600
Yan'an New Energy	3,868

Total	9,818.00
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Packaging materials (wood) consumption in 2022

Unit: tonnes

Headquarters and Xianyang Photovoltaic	217
Hefei Photovoltaic	6,000
Yan'an New Energy	3,105.24

Total	9,322.24
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Environmental, Social and Governance Report (Continued)

Part I Environmental (Continued)

Photovoltaic Power Generation (Continued)

The Group effectively reduces the use of packaging materials and avoids waste by reducing the backlog of inventory, avoiding excessive requisition of materials, enhancing recycling management and appraisal, promoting innovative management and recycling of packaging materials and increasing the usage and recycling of iron frame. In 2022, the Group consumed 9,322.24 tonnes of wooden packaging materials in total, decreasing by 5.05% from 9,818.00 tonnes consumed in 2021, while the total production output increased by 38.62% year on year. Per unit consumption of wooden materials in 2022 was 0.80 tonnes/10,000 square meters, decreasing by 31.03% from 1.16 tonnes/10,000 square meters in 2021.

Environment and Natural Resources

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

Environmental Protection and Sustainable Development

The Group promotes the use of green energy, minimizes the harms of global climate changes caused by greenhouse effect and helps achieve carbon neutrality through its vigorous development of solar photovoltaic glass business.

Part II Social

Employment and Labour Practices

Employment

As at 31 December 2022, the Group had a total of 2,120 incumbent employees, all of whom were full-time employees, and were Chinese nationals working in China. Among all incumbent employees, approximately 6.23% were management and administrative personnel, 4.01% were technological personnel, 1.51% were financial and audit personnel, 1.08% were sales and marketing personnel and 87.17% were production employees.

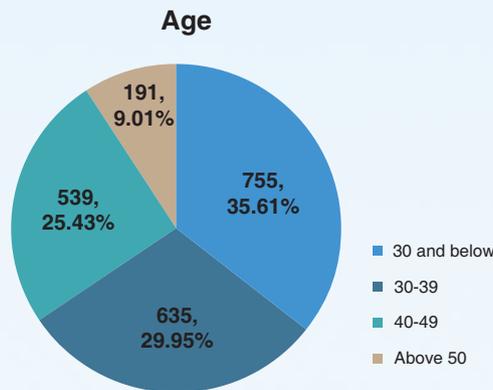
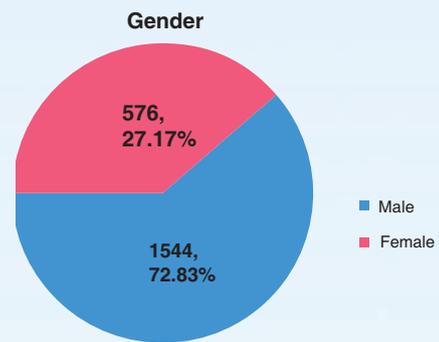
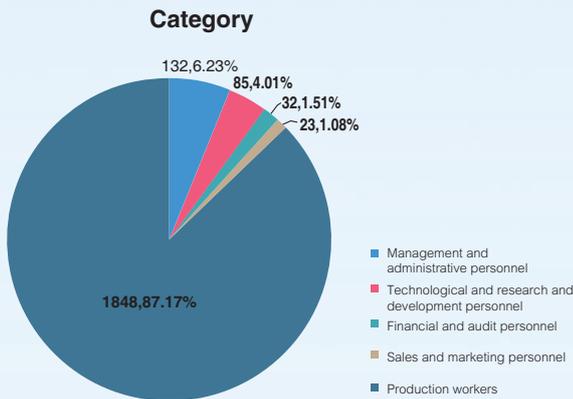
Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

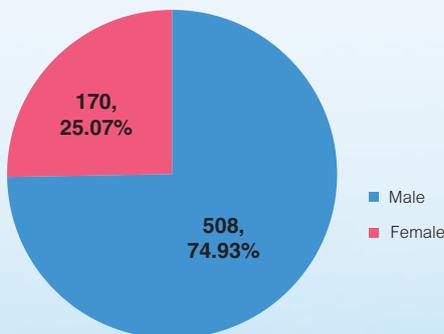
Employment and Labour Practices (Continued)

Employment (Continued)

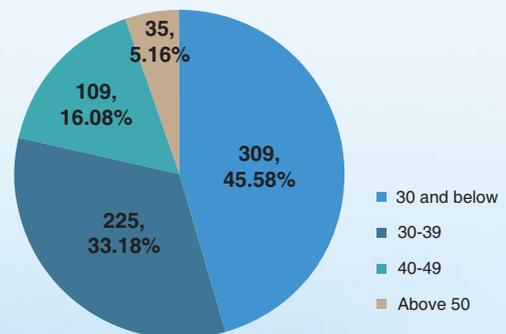
The total number and composition of employees of the Group are as follows:



Employee Turnover Rate by Gender



Employee Turnover Rate by Age



Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Employment and Labour Practices (Continued)

Employment (Continued)

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

Throughout 2022, the Group has complied with relevant laws and regulations in terms of recruitment and promotion, working hour, holiday, equal opportunity, anti-discrimination and other benefits.

* *Excluding dispatched employees*

Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Development and Training

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

Training subjects	Training contents
Workplace safety	Integrated Training of Three Systems of Quality, Environment, Occupational Health and Safety Management for the Year 2022, Training on Review and Renewal of Qualification Certificates for Safety Director and Management Personnel, Resumption of Power System, etc.
Quality management	Training on 4-Lines ISRA Air Bubble Specification Equipment, Training on Determination of Standard for OMM Inspection, Training on BIPV Building-integrated Photovoltaics, etc.
Management skills	Role Cognition and Management Ability Improvement of Managers, Interpretation of Summary of Industrial Projects and Strategic Planning of the Group, Enterprise Comprehensive Operation and Management Sand Table, and Development Strategy Under the Background System of Carbon Peak and Carbon Neutralization, etc.
Courses on ideological and political education	Xi Jinping presided over the 40th collective study of the Political Bureau of the 19th CPC Central Committee and delivered an important speech, Network Training Course for the Spirit of the 20th CPC National Congress, Online Training Course to Xi Jinping's Thought on Ecological Civilization and Enhancing the Capacity for Green Low-Carbon and Sustainable Development, Outline of Learning Xi Jinping's Thought on Ruling-by-law, etc.
Training for reserve	Young Talents CEC 2022 Training Course for Young and Middle-aged Science and Technology Talents, Structured Thinking and Expression, and Leisurely sailing – process design and process optimization, etc.

Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Development and Training (Continued)

In 2022, there were a total of 141 training programs for the Group, with total length of 5,854 hours. The Group also encourages employees to learn by themselves to support their personal development.

Indicator 2022

Average training hours per employee and percentage of employees trained (%) 3 hours (100%)

Training hours and percentage of employees trained by gender and employee category (%)

By gender	Total training hours	Average training hours	Percentage of employees trained
Male	4,647	3	100%
Female	1,587	3	100%

By employee category	Total training hours	Average training hours	Percentage of employees trained
Senior management	515	17	100%
Management	949	12	100%
Technical staff	1,343	16	100%
General staff	3,047	2	100%

Gender diversity

The Group is committed to developing various channels to attract diverse talents and provide equal opportunities for more women, as well as building a platform for equal employment and career development for women. Due consideration was given to ensuring the proportion of female employee in recruitment, and the proportion of female employees remained above 25% all the year round.

The Group strives to make every employee have a full sense of belonging, encourages employees to pursue success regardless of gender, and gives due consideration to increasing the proportion of female employees when training reserve talents and making promotion. As at 31 December 2022, 27.17% of employees were female and 13.89% of management were female.

Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

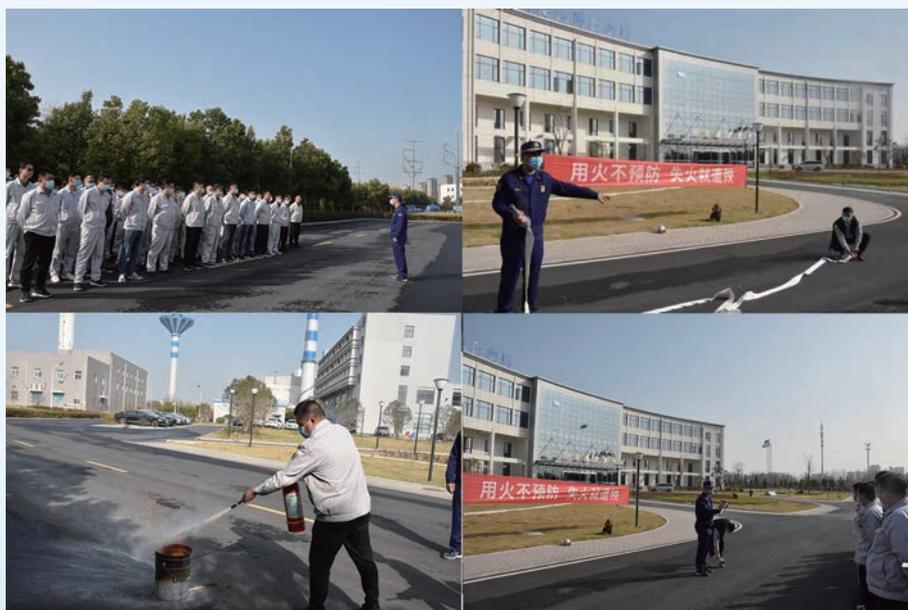
Occupational Health and Safety

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

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

Summary of certain campaigns:

In March 2022, the Group held the “3.15 Fire Safety Week” campaign in which safety publicity was conducted by hanging fire safety banners, making fire safety signboards, organising fire drills for relevant employees, replacing firefighting equipment, and completing lightning protection and grounding tests at factory areas.



Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Occupational Health and Safety (Continued)

In June 2022, the Group's annual "safety production month", the Group organised 12 special emergency drills including firefighting emergency and evacuation for key areas and positions including photovoltaic furnace and calendaring involving more than 233 employees, to test the operability and practicability of the emergency plans. In addition, the Group comprehensively evaluated the drill results with a view to constantly optimizing the emergency plans and improving staff's emergency handling capacity to ensure safe production of the Group.



In November 2022, as a response to the national initiative, the Group arranged "11.9 Fire Control Publicity Month". A variety of activities such as fire warning education and fire emergency drill were carried out and special inspections were conducted for fire-fighting equipment, electrical appliances and utility pipelines to identify and rectify safety hazards, creating a strong atmosphere for fire control publicity.



Environmental, Social and Governance Report (Continued)

Part II Social (Continued)

Occupational Health and Safety (Continued)

2020 Health and safety performance	Performance
Number of work-related casualties	0
Number of loss days due to work injury	0
Number of accidents	0
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2021 Health and safety performance	Performance
Number of work-related casualties	0
Number of loss days due to work injury	0
Number of accidents	0
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2022 Health and safety performance	Performance
Number of work-related casualties	0
Number of loss days due to work injury	0
Number of accidents	0

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

Labour Standards

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

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

Environmental, Social and Governance Report (Continued)

Part III Production and Operation

Supply Chain Management

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

The Group has formulated the Purchase Management Rules and the Management Measures for Contract Review and Bidding Process, and digitalized the bidding and contract approval procedures in full process with joint participation of the Company's legal and financial departments for strict regulation over purchasing activities, to ensure the normal operation of production systems. Details are set out as follows:

1. Sourced product information base and supplier information base are established; the budgetary price for bidding is determined by comparison with the market price; a pricing process is set up whereby the price of a product to be purchased from suppliers is determined through electronic bidding; and finally, a supplier with the highest ranking in bidding, the best service and good contract performing conditions and capabilities will be selected;
2. A bidding review and contract approval system is established within the Group to implement compliance management of review and approval for purchase contracts; at the same time, each procurement unit effectively utilizes the NC electronic management system to achieve full-process management from planning, procurement, warehousing to settlement.

Optimization of supplier management system:

1. Supplier incentive mechanisms are established, whereby suppliers who are assessed as excellent will gain priority in respect of distribution of products to be supplied, long-term cooperation, etc. Supplier incentive mechanisms are implemented and performance of suppliers will be evaluated, thereby procuring the suppliers to improve constantly. Sound and reasonable appraisal methods are employed to evaluate the effects of cooperation with individual suppliers and evaluation results will be fed back to the suppliers. The Group will discuss the causes of problems together with the suppliers and take improvement measures accordingly.

Environmental, Social and Governance Report (Continued)

Part III Production and Operation (Continued)

Supply Chain Management (Continued)

2. Casual reciprocal visits to and from manufacturers with good reputation and solid strength will be scheduled so as to create a sound cooperation atmosphere. Strategic purchase framework agreements are signed to create a win-win model.
3. Suppliers who have long been falling short of the quality requirements of the Group's plants and failed to make improvements or those who have deeply flawed quality management systems will be suspended or recused in relation to their supplier qualifications as recorded in the Catalogue of Qualified Suppliers and their Products. The Group will monitor material quality on a long-term basis and carry out regular review on all suppliers to secure sustainable supply of quality materials and services. For the selection of suppliers, the Group will give priority to those with the Certification of the ISO9001 Quality Management System, the Certification of the ISO14001 Environmental Management System, the Certification of the OHSAS18001 Occupational Health and Safety Management System and other certifications under same conditions. We pay more attention to the environmental protection efforts of suppliers in the annual review on certain suppliers.

Enhancement of risk control management. Before the bidding for the procurement of general production materials and equipment, the bidder shall be subject to strict qualification review, and the bidding shall be conducted on the electronic procurement platform. For major projects, a qualified bidding company is entrusted to carry out bidding in accordance with relevant national laws and regulations to ensure the openness, fairness and impartiality of project construction procurement. The legal affairs, discipline inspection and supervision of the Group participate in the management and monitoring of the contract review process in the whole process, and timely identify and effectively prevent behaviors of breach of laws or regulations in the procurement process.

Geographical distribution	Number of suppliers
PRC	180

Environmental, Social and Governance Report (Continued)

Part III Production and Operation (Continued)

Product Liability

During the Reporting Period, the Group conducted its business in strict accordance with the requirements of the environmental management system and the occupational health and safety management system, and there were no product recalls due to safety and health reasons. For product and service complaints, the sales personnel will visit the technical and quality department of each production base, and each production base will arrange professional after-sales personnel to deal with them in a timely and effective manner through on-site visits, face-to-face meetings and other specific methods. In 2022, the Group had no major customer complaints. At the same time, the Group attaches great importance to the protection of intellectual property rights, timely reports and protects the formed intellectual property rights, and signs relevant confidentiality agreements in relation to important intellectual property projects.

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

During the Reporting Period, the Group has complied with relevant laws and regulations that have material impacts on the Group in respect of the health and safety, advertising, labelling, consumers' information protection and privacy matters of products and services provided as well as methods of redress.

Environmental, Social and Governance Report (Continued)

Part III Production and Operation (Continued)

Formulation of anti-corruption policies and whistle-blowing policies

The Group has formulated a number of policies such as Implementation Measures of IRICO Group New Energy Company Limited (several requirements on the Integrity in Business by Leaders of State-owned Enterprises), Requirements on the Implementation of Registration of the Acceptance of Gifts by Leading Cadres of IRICO Group New Energy Company Limited and Measures for the Supervision and Administration of Tendering and Bidding of IRICO Group New Energy Company Limited, to promote the system under which no one dares to or can be corrupted or thinks of committing corruption, and strictly implement governing documents from the perspectives of uncorrupt practice, conversation reminder, accountability, etc., so as to form a sound punishment and prevention system. At the same time, the Group will enhance the publicity of anti-corruption laws and regulations, carry out a number of special rectification and self-inspection and self-correction work, continue to do a good job in the supervision and inspection of duty crimes, seriously deal with abuse of power, and advocate the construction of the culture of integrity within the Group through various forms of warning and education activities, and create a clean working environment.

The Group has formulated the Complaint via Letters and Visits Maintenance System of IRICO Group New Energy Company Limited and the Complaint Handling Measures of IRICO Group New Energy Company Limited to ensure that the Company's complaint reporting channels are smooth. Whistleblowers can report to the Group's discipline inspection and supervision department with corruption cable in the form of petition reporting. The discipline inspection and supervision department classifies the problem cable according to the Complaint Handling Measures. If there is any concrete evidence of corruption and bribery after the case is filed, it will be transferred to the corresponding supervision authority in a timely manner in accordance with the law.

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

Environmental, Social and Governance Report (Continued)

Part III Production and Operation (Continued)

Community Involvement

Pandemic Prevention and Control

Facing the severity of the pandemic at the end of the year, the Group actively organised the fight against the pandemic, strictly conducted centralized disinfection in public places, and regularly conducted nucleic acid testing and body temperature examination for employees. In addition, it donated food, face masks and other anti-pandemic supplies to the employees of Yan'an New Energy fighting on the front line of pandemic prevention and control, so as to make contribution to protection of the staff on the front line of pandemic prevention and control.

The Group's labor unions actively coordinated with the communities and liaised with community hospitals to offer mass vaccination for the employees.

Care for employees

The Group's labor union provided supplementary medical insurance of RMB398,216 to 234 employees and mutual insurance of RMB17,220 to 268 employees. The Group visited 11 employees in difficulties before the Spring Festival to offer relief funds of RMB27,000, and allocated high temperature subsidy funds of RMB80,000 in summer. A subsidy of RMB1,000 per person will be provided to 25 front-line employees who have passed the audit and publicity to upgrade their academic qualifications. On the eve of the Mid-Autumn Festival, the Group sent holiday blessings and sincere greetings to more than 100 family members of employees dispatched to bases in Hefei, Yan'an, and Shangrao, and thanked them for their long-term understanding and support for the employees working outside, as well as for the attention and care of the Group's business of photovoltaic glass, and also reported the development of the Group.

Corporate Culture

The Group publicizes and promotes corporate culture to the Board of Directors, senior management, middle management and employees through convening seminars, distributing corporate culture brochures, forums, etc., aiming to discover the deep connotation of corporate culture and enhance cohesion, which helps each employee to have a deeper understanding of corporate culture at work.

During the Reporting Period, through the distribution of questionnaires, interviews and various forms of Q & A meetings, all the management and employees were able to understand the core values and due behaviors of the corporate culture and enhance their recognition of the corporate culture.

Corporate Governance Report

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

Corporate Governance Practices

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

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

Corporate Governance Report (Continued)

The Board

Duties of the Board

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

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

In respect of corporate governance, the Board mainly performed the following duties in the Reporting Period:

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

The Board (Continued)

Composition of the Board and diversity policy

In determining the structure of the Board, the Company considers multiple factors (including but not limited to gender, age, cultural and educational background, race, professional experience, skills, expertise and service term) to achieve the aim of diversity policy. The Board has set measurable objectives (including the aforesaid measurable items) to promote the diversity policy, and the Nomination Committee is responsible for reviewing these objectives from time to time to ensure such objectives are appropriate, monitoring the progress of such objectives and reviewing the policy in due course to ensure the effectiveness.

On 31 December 2022, the fifth session of the Board of the Company was formed with full consideration of the interests in terms of all dimension and diversity, including the age, gender, skills, knowledge, culture, experience, expertise, professional qualifications and academic qualifications, background and other personal qualities of the directors. The Board of the Company comprises seven Directors, including two executive Directors, namely Mr. Tong Xiaofei and Mr. Jiang Lei, two non-executive Directors, namely Mr. Ni Huadong and Mr. Huang Weihong, and three independent non-executive Directors, namely Mr. Su Kun, Mr. Li Yong and Ms. Hao Meiping. Mr. Tong Xiaofei is the chairman of the Board. Among them, by gender, there are 6 males and 1 female, and by age, there are 3 directors aged 35–40, 2 directors aged 41–50, 2 directors aged 51–60, and by subject, 3 directors in engineering, 2 directors in economics and 2 directors in business administration. The biographies of Directors are set out from page 15 to 21 in this annual report.

During the Reporting Period, the Nomination Committee has considered the Board diversity policy and whether the Board has achieved an appropriate balance in the aspects of educational background, skills, experience and diversity to improve the efficiency of the Board and to maintain high-standard corporate governance. After due consideration, the Nomination Committee believes that the structure of the Board is balanced with diversity, fully takes into account the Company's actual conditions, is appropriate for the Company's business development and complies with the Board diversity policy during the Reporting Period.

Furthermore, as at 31 December 2022, female employees accounted for approximately 27.17% of the Company's workforce (including the senior management). The Group will consider improving the proportion of female members in talent cultivation and promotion to the management level, and maintain the proportion of female employees in the workforce above 25%, so as to achieve sustainable gender diversity.

The Board members have no financial, business, family or other material/relevant relationships with each other.

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

Corporate Governance Report (Continued)

The Board (Continued)

Composition of the Board and diversity policy (Continued)

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

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

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

Corporate Governance Report (Continued)

The Board (Continued)

Directors' training

During the Reporting Period, the Company irregularly sent learning and reference materials to each Director by email to ensure that all Directors participate in continuous professional development. At the same time, the Company also from time to time organised communications and discussions between Directors to ensure that each Director continues to contribute to the Board remains informed and relevant.

In addition, the following Directors also developed and updated their knowledge and skills through attending trainings:

Ni Huadong attended a total of 17.5 hours of training, including the Advanced Training on Corporate Governance of China's Overseas Listed Companies organised by the Hong Kong Governance Institute, which covered the focus of governance and regulation of Hong Kong capital market, the focus of regulation of companies listed on the Hong Kong Stock Exchange, the latest requirements for listing on the Hong Kong Stock Exchange and the latest amendments to the compliance rules, the latest requirements and practices for disclosure of ESG reports, the responsibilities of company secretaries and directors in respect of governance and the practices of discharging duties for directors of listed companies.

Huang Weihong attended a total of 46 hours of training, including the 2022 Training Session for Shaanxi-based Enterprises to be Listed organised by Shaanxi Local Financial Supervision and Administration, which covered special listing matters, securities businesses, legal affairs, management of public opinions and other aspects, and the ongoing training of the secretary to the board of directors of companies to be listed organised by the SZSE, which covered the latest regulations of China Securities Regulatory Commission related to listed companies, the system of self-regulations rules, the guidelines for standard operation, the main points for issuance of new shares related to companies to be listed that have been issued by the SZSE.

Corporate Governance Report (Continued)

The Board (Continued)

Directors' training (Continued)

Li Yong, attended a total of 30 hours of training by participating in the follow-up training for independent directors of listed companies held by the SZSE, which mainly involved improving the quality of listed companies and regulatory policies, sharing experience of independent directors in performing their duties, introducing the revision of Standard Operation of Companies Listed on ChiNext Market, modern corporate governance and internal control: Theory and Practice and other courses.

The Company has made appropriate arrangement to insure against the possible legal actions that the Directors, supervisors and senior management may be involved. The Board reviews the insurance arrangement on an annual basis.

Duties of the management

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

The Chairman and the general manager

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

Corporate Governance Report (Continued)

The Board (Continued)

The Chairman and the general manager (Continued)

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

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

Company Secretary

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

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

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

In 2022, the Company Secretary participated in 17.5 hours of training in respect of corporate governance, etc.

Corporate Governance Report (Continued)

The Board (Continued)

Board meetings

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

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

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

The Company held four on-site Board meetings, passed three written resolutions, and held two extraordinary general meetings and one annual general meeting during the Reporting Period. Details of attendance of the Directors are as follows:

Number of meetings attended/Number of meetings held

Directors	Board Meetings	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee	Extraordinary General Meeting	Annual General Meeting
Tong Xiaofei	4/4	–	1/1	1/1	1/1	2/2	1/1
Jiang Lei	4/4	–	–	–	1/1	2/2	1/1
Ni Huadong	4/4	–	–	–	1/1	2/2	1/1
Huang Weihong	4/4	–	–	1/1	–	2/2	1/1
Wu Xiaoguang	1/1	1/1	–	1/1	–	–	–
Su Kun	3/3	1/1	–	–	–	2/2	1/1
Li Yong	4/4	2/2	1/1	1/1	1/1	2/2	1/1
Hao Meiping	4/4	2/2	1/1	1/1	1/1	2/2	1/1

Corporate Governance Report (Continued)

The Board (Continued)

Board meetings (Continued)

Number of meetings attended/Number of meetings held (Continued)

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

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

Board committees

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

Nomination Committee

On 31 December 2022, the Nomination Committee comprises one executive Director, one non-executive Director and three independent non-executive Directors, including Mr. Tong Xiaofei (executive Director), Mr. Huang Weihong (non-executive Director), Mr. Su Kun (independent non-executive Director), Mr. Li Yong (independent non-executive Director) and Ms. Hao Meiping (independent non-executive Director), and is chaired by Mr. Li Yong. The Nomination Committee shall provide the Board with its advice on appointment of Directors, assessment of the Board's composition and change of Directors in accordance with certain agreed standards. The relevant standards include a Director's proper professional knowledge and work experience, personal integrity and commitment of adequate time. The Nomination Committee is responsible for the selection and recommendation of Director candidates, including consideration of candidates recommended by others and, when necessary, acquired by using public recruitment.

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

Corporate Governance Report (Continued)

The Board (Continued)

Board committees (Continued)

Nomination Committee (Continued)

With reference to the requirements in paragraph B.3.1 of the CG Code, the Board formulated the Terms of Reference and Organisation Rules for the Nomination Committee. The terms of reference of the Nomination Committee are as follows:

- to review the structure, size and composition of the Board at least once annually;
- to identify individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment as well as the succession plan of Directors;
- to assess the time commitment of Directors. During the Reporting Period, all Directors have given sufficient time and attention to the affairs of the Company. Their performance and time commitment were satisfactory.

During the Reporting Period, the Nomination Committee conducted work focusing on the aforesaid terms of reference and discussed on the formulation of policy on the nomination of Directors, nomination procedures adopted for candidates for Directors and the selection and recommendation rules. In 2022, the Nomination Committee convened one meeting to mainly discuss matters relating to the structure, size and composition of the Board, the change of independent non-executive Directors and the nomination of independent non-executive Directors.

Audit Committee

On 31 December 2022, the Audit Committee comprises three independent non-executive Directors, namely Mr. Su Kun (independent non-executive Director), Mr. Li Yong (independent non-executive Director) and Ms. Hao Meiping (independent non-executive Director) and is chaired by Mr. Su Kun, who has proper professional qualifications and financial experiences. The main role of the Audit Committee is to review the financial reports of the Company, review internal control and corporate governance and provide advices in respect thereof to the Board.

Corporate Governance Report (Continued)

The Board (Continued)

Board committees (Continued)

Audit Committee (Continued)

By reference to the recommendations in A Guide for Effective Audit Committees issued by Hong Kong Institute of Certified Public Accountants and the requirements of code D.3.3 of the CG Code, the Board has formulated the Terms of Reference and Organisation Rules for the Audit Committee of the Company. The major terms of reference of the Audit Committee are as follows:

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

During the Reporting Period, the major work of the Audit Committee included:

- Considered the audited financial reports of the Company for 2021 and the reviewed financial reports for the first half of 2022;
- Considered the report in relation to the execution of continuing connected transactions of the Company for 2021;
- Considered the report in relation to the audit fees of the Company for 2021;
- Considered the proposal for appointment of the Company's auditors for 2022;
- Considered the proposal for the internal audit work plan of the Company for 2022;
- Reviewed the internal control system.

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

Corporate Governance Report (Continued)

The Board (Continued)

Board committees (Continued)

Remuneration and Appraisal Committee

On 31 December 2022, the Remuneration and Appraisal Committee comprises one executive Director and two independent non-executive Directors, including Mr. Tong Xiaofei (executive Director), Mr. Li Yong (independent non-executive Director) and Ms. Hao Meiping (independent non-executive Director), and is chaired by Ms. Hao Meiping.

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

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

During the Reporting Period, the Remuneration and Appraisal Committee conducted work focusing on the aforesaid terms of reference, and assessed the performance of executive Directors and approved the terms of service contracts for executive Directors. In 2022, the Remuneration and Appraisal Committee convened one meeting to consider the proposal in relation to the remuneration status of Directors and supervisors of the Company for 2021, the proposal in relation to the remuneration status of the officers of the Company for 2021, and the proposed authorization by the general meeting to the Board to determine the remuneration of Directors and supervisors of the Company for 2022.

Corporate Governance Report (Continued)

The Board (Continued)

Board committees (Continued)

Remuneration and Appraisal Committee (Continued)

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

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

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

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

Corporate Governance Report (Continued)

The Board (Continued)

Board committees (Continued)

Strategy Committee

On 31 December 2022, the Strategy Committee comprises two executive Directors, one non-executive Director and two independent non-executive Directors, including Mr. Tong Xiaofei (executive Director), Mr. Jiang Lei (executive Director), Mr. Ni Huadong (non-executive Director), Mr. Li Yong (independent non-executive Director) and Ms. Hao Meiping (independent non-executive Director), and is chaired by Mr. Tong Xiaofei.

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

- to research the Company's medium and long-term development tactics and major investment decisions, and put forward proposals;
- to review the Company's plans on major investment, financing, capital operation, asset operation and other major issues, and put forward proposals to the Board;
- to review the Company's material asset disposals and put forward proposals to the Board.

During the Reporting Period, the Strategy Committee conducted work focusing on the aforesaid terms of reference and convened one meeting with 100% attendance.

Corporate Governance Report (Continued)

Statement of financial responsibility of the Board

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

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

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

Securities transactions by Directors

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

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

Corporate Governance Report (Continued)

Control mechanism

Internal control and internal audit

Internal control system

The Board is fully in charge of the Company's internal control system, including its overall financial and operational status, hence avoiding material financial omission or loss and any omission or risk in relation to operation controls. Through its Audit Committee, the Board makes periodic (at least twice per year) review on the effectiveness of the internal control system of the Group, which includes controls over finance, operations, regulation compliance and risk management. Relevant results of 2022 have been reported to the Board through the Audit Committee.

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

The Board confirms that the Company has set up procedures and systems for efficient recognition, assessment and management of material operating risks. The Company has complied with the Code Provisions relating to internal controls as set out in the CG Code for the year ended 31 December 2022.

Internal audit

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

The audit and legal affairs department gives its prudent opinion as to whether the Company's operations have a comprehensive and efficient risk management system and reports to the Audit Committee of the Company accordingly. In 2022, all internal audit reports and opinions were submitted to the general manager and other executive Directors as well as the senior management of the audit department. The audit department also follows up on issues identified during the audit process and conducts follow-up audit to ensure that such issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the internal audit and the external auditor so that both are aware of the significant factors that may affect their respective scope of work.

Corporate Governance Report (Continued)

Control mechanism (Continued)

Internal control and internal audit (Continued)

Risk management

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

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

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

During the year 2022, the Board continued to supervise the Group's risk management and internal control, and has reviewed the effectiveness of the risk management and internal control and confirmed that the Group has adequate resources for the Group's accounting, internal audit and financial reporting functions, and that the employees' qualifications and experience, the training courses for the employees and the related budgets are adequate. In the areas of financial management, risk management, compliance and financial operating risk management, the effective implementation, timely review and corresponding results are reported in the monthly operation meetings. The Board is responsible for the risk management and internal control systems, and the review of such systems as to their effectiveness. The objectives of such systems are to manage rather than eliminate the risks of failure in achieving business objectives, and to provide only a reasonable, but not absolute, assurance against material misstatements or losses.

Corporate Governance Report (Continued)

Control mechanism (Continued)

Internal control and internal audit (Continued)

Risk management (Continued)

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

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

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

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

In 2022, the Company has complied with the above internal systems in relation to information disclosure obligations and made timely announcements of important matters that are to be disclosed. The Company has ensured the truthfulness, accuracy, completeness and timeliness of the disclosed information, and made sure that the investors were able to obtain publicly disclosed information in an open, fair and equitable manner.

Corporate Governance Report (Continued)

Control mechanism (Continued)

Internal control and internal audit (Continued)

External auditor and their remunerations

As approved at the 2021 annual general meeting of the Company held on 16 June 2022, BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所特殊普通合夥) was re-appointed as the auditor of the Company for year 2022. The Audit Committee reviewed the letter from BDO China Shu Lun Pan Certified Public Accountants LLP to confirm its independence and objectiveness, held meetings with the said auditor to discuss its audit scope and fees.

For the year ended 31 December 2022, the remuneration of the external auditor amounted to RMB1.97 million (tax inclusive), all of which was audit service fees. There were no non-audit service fees during the year. The audit fee has been approved by the Audit Committee and the Board.

Rights of shareholders and investor relations

General meetings

The Company encourages Shareholders' attendance at annual general meetings and gives a notice not less than 20 days before the meeting is held. The Chairman shall attend the annual general meetings and invite the chairman of each committee (if he is unable to attend, a member of such committee will be invited) of the Board to attend the annual general meeting, and answer inquiries from the Shareholders. All Directors (especially non-executive Directors and independent non-executive Directors) shall attend the general meetings on a regular basis, including annual general meeting and extraordinary general meeting.

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

On 28 April 2022, the first extraordinary general meeting was held at the conference room of the Company at No.1 Caihong Road, Xianyang, Shaanxi Province.

Corporate Governance Report (Continued)

Rights of shareholders and investor relations (Continued)

General meetings (Continued)

On 16 June 2022, the 2021 annual general meeting was held at the conference room of the Company at No.1 Caihong Road, Xianyang, Shaanxi Province.

On 19 October 2022, the second extraordinary general meeting was held at the conference room of the Company at No.1 Caihong Road, Xianyang, Shaanxi Province.

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

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

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

Rights of Shareholders

Convening general meetings by Shareholders

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

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

Corporate Governance Report (Continued)

Rights of shareholders and investor relations (Continued)

Rights of Shareholders (Continued)

Enquiry by Shareholders and Communication

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

Procedures for Shareholders to put forward proposals and contact information

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

Information disclosure and investor relations

The Company is committed to increasing transparency and improving investor relations and has attached great importance to Shareholders' responses in this regard. The Company undertakes that it shall make impartial disclosure and provide full and transparent report. The ultimate duty of the Chairman is to ensure efficient communications with investors and to ensure the Board's understanding of the opinions of substantial Shareholders. After the Company's announcements of its interim and annual results, the Board is committed to providing Shareholders with clear and comprehensive results of the Group by publishing interim and annual reports. The Company endeavours to maintain a continuous candid communication with institutional investors and analysts, so as to deepen their understanding of the Group's management, financial condition, operation, strategies and plans. The Company's management and Investor Relations Department conduct individual and group meetings (online and offline) with investors from time to time, hold results press conference and non-trading roadshows, and participate in regional and global investor forums organised by financial institutions to provide investors with a more comprehensive interpretation and analysis of the Company's business philosophy and operations. Analysts and investors are welcome to visit the Company's plants and business places.

During the Reporting Period, the Company's shareholder communication policy was implemented fully and effectively. The Company will further improve the investor relation management system to ensure better communication with investors.

Corporate Governance Report (Continued)

Changes in Articles of Association

In accordance with the Company Law of the People's Republic of China and the relevant requirements of the SASAC on Key Points of the Three-year Action Plan for the Reform of State-owned Enterprises, and taking into consideration the actual situations of the Company, on 16 June 2022, the Company held the 2021 annual general meeting to revise the Articles of Association of the Company, including Article 9, Article 29, Article 45, Article 49 and etc. For details, please refer to the announcements of the Company dated 11 May 2022, 17 May 2022 and 16 June 2022.

The updated Articles of Association is available on the respective websites of the Company and the Stock Exchange.

By order of the Board
Tong Xiaofei
Chairman

Xianyang, the People's Republic of China
29 March 2023

Xin Kuai Shi Bao Zi [2023] No. ZG10650

TO THE SHAREHOLDERS OF IRICO GROUP NEW ENERGY COMPANY LIMITED,

I. Audit Opinion

We have reviewed the financial statements of IRICO Group New Energy Company Limited (the “Company”), which comprise the consolidated balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of changes in owner’s equity for 2022 as well as the relevant notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the Company’s financial position as of 31 December 2022, and the Company’s operating results and cash flows for 2022.

II. Basis for Audit Opinion

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

Audit Report (Continued)

III. Key Audit Matters

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

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

Key audit matters	How our audit addressed the key audit matters
(I) Recognition of revenue	
Please refer to Note III (XXVIII) for accounting policies of revenue recognition; refer to Note V (XXXIX) for the disclosure of revenue.	Our audit procedures for the revenue recognition mainly include:
In 2022, the consolidated revenue of Company amounted to RMB2,470 million, mainly sourcing from photovoltaic glass.	1. Understood and evaluated the design and effectiveness of operation of the key internal control by the management relevant to revenue recognition;
The general principle for revenue recognition of the Company is that the Company recognizes revenue when the performance of obligation in a contract is fulfilled, namely the customer obtains control of relevant goods or services.	2. Selected samples to review the sales contracts and analysed the same via the “five-step method”, judged the composition of the contract performance obligations and the timing of transfer of control rights, to assess whether the policy and timing to recognise the Company’s sales revenue meet the requirements under the accounting standards;

III. Key Audit Matters (Continued)

Key audit matters

Based on the Company's business, the specific method for revenue recognition is as follows: revenue recognition for domestic sales: the Company delivers the products to the customer's designated delivery location, and recognises the sales revenue after the customer's acceptance and signature of relevant documents. Revenue recognition for export sales: according to the Company's contracts or orders and business trading conventions, the Company will issue goods, and the goods will be recognized as sales revenue after the export declaration formalities have been completed.

As revenue is one of the key performance indicators of the Company, and there is an inherent risk of manipulation of the timing and amount of revenue recognized by management to meet specific targets or expectations, we identified the revenue recognition as a key audit matter.

How our audit addressed the key audit matters

3. Based on procedures of external confirmations for accounts receivable and revenue, selected samples of revenue transactions recorded for the current period, checked the supportive documents relevant to revenue recognition, checked the sales contracts, order for goods, invoice, outgoing list, product shipping list, customer's receipt, export documents, etc. in order to check the authenticity of revenue recognised;
4. Performed analytical procedures on revenue and cost, including: analysis on fluctuation in revenue, cost, gross profit margin for each month of the current period, and performed analytical procedures on the revenue, cost, gross profit margin of principal products for the current period as compared to that of the comparable companies in the industry in order to check the accuracy of revenue recognised;
5. Selected samples of revenue transactions recorded around the balance sheet date and checked the outgoing list, receipt form and other supportive documents, in order to evaluate whether the revenue is recorded in an appropriate accounting period.

Audit Report (Continued)

III. Key Audit Matters (Continued)

Key audit matters

How our audit addressed the key audit matters

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

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

The Company has made substantial investment in the construction of production lines for expansion of its photovoltaic glass production capacity. As at 31 December 2022, the total consolidated carrying value of fixed assets and construction in progress of the Company amounted to RMB2,881 million.

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

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

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

IV. Other Information

The management of the Company (the “management”) is responsible for other information. Other information includes the information included in the Company’s 2022 annual report, but excludes the financial statements and our audit report.

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

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

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

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

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

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

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

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

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

Audit Report (Continued)

VI. Certified Public Accountants' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

VI. Certified Public Accountants' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

BDO China Shu Lun Pan Certified Public Accountants LLP

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

Chinese Certified Public Accountant: Gu Xin

Shanghai • the PRC

29 March 2023

Consolidated Balance Sheet

As at 31 December 2022 (All amounts in RMB Yuan unless otherwise stated)

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

Consolidated Balance Sheet (Continued)

As at 31 December 2022 (All amounts in RMB Yuan unless otherwise stated)

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

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

Consolidated Balance Sheet (Continued)

As at 31 December 2022 (All amounts in RMB Yuan unless otherwise stated)

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

Consolidated Balance Sheet (Continued)

As at 31 December 2022 (All amounts in RMB Yuan unless otherwise stated)

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

Consolidated Balance Sheet (Continued)

As at 31 December 2022 (All amounts in RMB Yuan unless otherwise stated)

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

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

Person in charge of the Company: Tong Xiaofei Person in charge of accounting: Huang Weihong Head of accounting department: Luo Hongwei

Consolidated Income Statement

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	For the year 2022	For the year 2021 (restated)
I. Total operating revenue		2,470,277,467.65	2,067,062,702.08
Including: Operating revenue	(XXXIX)	2,470,277,467.65	2,067,062,702.08
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		2,387,244,125.55	1,878,851,726.96
Including: Operating costs	(XXXIX)	2,107,423,656.11	1,616,589,112.09
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	(XL)	22,574,847.68	21,156,835.62
Selling expenses	(XLI)	4,983,775.93	7,141,170.59
Administrative expenses	(XLII)	113,347,154.53	110,127,881.73
Research and development expenses	(XLIII)	66,866,866.25	54,400,183.71
Finance costs	(XLIV)	72,047,825.05	69,436,543.22
Including: Interest expense	(XLIV)	82,033,768.20	69,107,769.77
Interest income	(XLIV)	12,979,558.98	6,146,823.05
Add: Other income	(XLV)	15,375,594.85	25,429,853.67
Investment income (loss is represented by "-")	(XLVI)	3,483,156.02	-10,033,127.02
Including: Gains from investment in associates and joint ventures	(XLVI)	-629,919.54	-2,778,021.65
Income from derecognition of financial asset at the amortized cost			
Gains from foreign exchange (loss is represented by "-")			
Gains from net exposure hedges (loss is represented by "-")			

Consolidated Income Statement (Continued)

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	For the year 2022	For the year 2021 (restated)
Gains from changes in fair value (loss is represented by "-")	(XLVII)	-20,461.44	-34,615.19
Credit impairment losses (loss is represented by "-")	(XLVIII)	-1,261,866.46	-1,636,304.42
Impairment losses on assets (loss is represented by "-")	(XLIX)	-962,421.48	-15,838,020.96
Gains from disposal of assets (loss is represented by "-")	(L)	690,861.59	587,077.11
III. Operating profit (loss is represented by "-")		100,338,205.18	186,685,838.31
Add: Non-operating income	(LI)	546,478.47	2,495,966.04
Less: Non-operating expenses	(LII)	96,000.00	1,474,466.49
IV. Total profit (total loss is represented by "-")		100,788,683.65	187,707,337.86
Less: Income tax expenses	(LIII)	11,556,286.91	23,275,722.94
V. Net profit (net loss is represented by "-")		89,232,396.74	164,431,614.92
(I) Classified by continuity of operations		89,232,396.74	164,431,614.92
1. Net profit from continuing operations (net loss is represented by "-")		89,232,396.74	164,431,614.92
2. Net profit from discontinued operations (net loss is represented by "-")			
(II) Classified by ownership of equity		89,232,396.74	164,431,614.92
1. Net profit attributable to the shareholders of the parent company (net loss is represented by "-")		89,232,396.74	164,431,614.92
2. Minority interests (net loss is represented by "-")			

Consolidated Income Statement (Continued)

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	For the year 2022	For the year 2021 (restated)
VI. Other comprehensive income, net of tax	(XXXVI)	-78,096,378.57	10,812,303.88
Other comprehensive income (net of tax) attributable to the owners of the parent company	(XXXVI)	-78,096,378.57	10,812,303.88
(I) Other comprehensive income that cannot be reclassified to profit or loss		-78,096,378.57	10,812,303.88
1. Re-measurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Changes in fair value of other equity instrument investments		-78,096,378.57	10,812,303.88
4. Changes in fair value of enterprise's own credit risk			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified as other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flows hedging reserve			
6. Exchange differences from translation of foreign currency financial statements			
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			

Consolidated Income Statement (Continued)

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	For the year 2022	For the year 2021 (restated)
VII. Total comprehensive income		11,136,018.17	175,243,918.80
Total comprehensive income attributable to the owners of the parent company		11,136,018.17	175,243,918.80
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	(LIV)	0.5061	1.2346
(II) Diluted earnings per share (RMB/share)	(LIV)	0.5061	1.2346

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

Person in charge of the Company: Tong Xiaofei Person in charge of accounting: Huang Weihong Head of accounting department: Luo Hongwei

Consolidated Statement of Cash Flows

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	For the year 2022	For the year 2021 (restated)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		2,019,681,052.67	1,397,744,577.53
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from premiums of primary insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholders' deposits and investments			
Cash received from interest, fee and commission			
Net increase in capital borrowed			
Net increase of returned business capital			
Net cash received on behalf of brokerage customers			
Receipts of tax refunds		39,174,674.72	
Cash received relating to other operating activities	(LVI)	348,909,291.36	177,461,044.74
Sub-total of cash inflows from operating activities		2,407,765,018.75	1,575,205,622.27
Cash paid for purchasing goods and receiving services		1,957,560,911.62	1,650,874,576.38
Net increase in customer loans and advances			
Net increase in funds placed with central bank and interbank			
Cash paid for claims under original policies			
Net increase in lending funds			
Cash paid as interest, fees and commission			
Cash paid as policy dividends			
Cash paid to and for employees		167,762,391.19	164,580,854.40
Cash paid for taxes and surcharges		73,037,637.88	105,624,380.94

Consolidated Statement of Cash Flows (Continued)

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	For the year 2022	For the year 2021 (restated)
Cash paid relating to other operating activities	(LVI)	299,159,442.99	192,022,153.68
Sub-total of cash outflows from operating activities		2,497,520,383.68	2,113,101,965.40
Net cash flows from operating activities		-89,755,364.93	-537,896,343.13
II. Cash flows from investing activities			
Cash received from disposal of investments		109,227,446.98	65,050,196.00
Cash received from returns on investments		6,984,940.41	339,365.18
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,392,046.00	1,975.00
Net cash received from disposal of subsidiaries and other business entities			226,335,420.00
Cash received from other investing activities	(LVI)	19,363,367.54	4,462,037.93
Sub-total of cash inflows from investing activities		136,967,800.93	296,188,994.11
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		545,302,192.00	97,900,884.13
Cash paid for investment		100,067,664.39	344,258.93
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		645,369,856.39	98,245,143.06
Net cash flows from investing activities		-508,402,055.46	197,943,851.05

Consolidated Statement of Cash Flows (Continued)

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	Note V	For the year 2022	For the year 2021 (restated)
III. Cash flows from financing activities			
Cash received from absorbing investments Including: Cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		2,267,665,980.13	1,646,958,577.14
Cash received relating to other financing activities	(LVI)	50,000,000.00	98,308,333.37
Sub-total of cash inflows from financing activities		2,317,665,980.13	1,745,266,910.51
Cash paid for repayment of borrowings		1,338,319,829.38	1,059,649,650.00
Cash paid for distribution of dividends and profits or for interest expenses		78,623,565.92	55,602,573.71
Including: Dividends or profits paid to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	(LVI)	305,727,990.77	271,769,426.01
Sub-total of cash outflows from financing activities		1,722,671,386.07	1,387,021,649.72
Net cash flows from financing activities		594,994,594.06	358,245,260.79
IV. Effect of changes in exchange rate on cash and cash equivalents		252,130.61	-46,074.55
V. Net increase in cash and cash equivalents		-2,910,695.72	18,246,694.16
Add: Cash and cash equivalents at the beginning of the period		411,742,786.14	393,496,091.98
VI. Cash and cash equivalents at the end of the period		408,832,090.42	411,742,786.14

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

Person in charge of the Company:
Tong Xiaofei

Person in charge of accounting:
Huang Weihong

Head of accounting department:
Luo Hongwei

Consolidated Statement of Changes in Owner's Equity

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	For the year 2022														
	Equity attributable to the owners of the parent company												Minority interests	Total owner's equity	
	Other equity instruments				Less:		Other		Surplus reserve	General risk reserve	Undistributed profit	Sub-total			
Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve								
I. Closing balance of the previous year	176,322,070.00				4,281,160,374.64		-163,635,057.09		22,477,267.06			-2,396,626,858.58	1,919,697,796.03		1,919,697,796.03
Add: Changes in accounting policies												-8,867,316.90	-8,867,316.90		-8,867,316.90
Correction for error in previous period															
Business combination under common control															
Others															
II. Opening balance for the year	176,322,070.00				4,281,160,374.64		-163,635,057.09		22,477,267.06			-2,405,494,175.48	1,910,830,479.13		1,910,830,479.13
III. Movements in the period (decrease is represented by "-")							-78,096,378.57					89,232,396.74	11,136,018.17		11,136,018.17
(I) Total comprehensive income							-78,096,378.57					89,232,396.74	11,136,018.17		11,136,018.17
(II) Capital contribution and reduction from owners															
1. Ordinary shares contribution from owners															
2. Capital contribution from owners of other equity instruments															
3. Amount of share-based payment included in owners' equity															
4. Others															
(III) Profit distribution															
1. Appropriations of surplus reserve															
2. Appropriations of general risk reserve															
3. Distribution to owners (or shareholders)															
4. Others															

Consolidated Statement of Changes in Owner's Equity (Continued)

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	For the year 2022														
	Equity attributable to the owners of the parent company												Minority interests	Total owner's equity	
	Other equity instruments				Less:		Other								
Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total				
(IV) Transfer of owners' equity															
1. Transfer to capital (or share capital) from capital reserve															
2. Transfer to capital (or share capital) from surplus reserve															
3. Surplus reserves for making up losses															
4. Changes in defined benefit plans transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
(V) Special reserve															
1. Appropriations in the period															
2. Utilization in the period															
(VI) Others															
IV. Closing balance for the period	176,322,070.00				4,261,160,374.64		-241,731,435.66	22,477,267.06			-2,316,261,778.74	1,921,966,497.30			1,921,966,497.30

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

Consolidated Statement of Changes in Owner's Equity (Continued)

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	For the year of 2021 (restated)													Minority interests	Total owner's equity
	Equity attributable to the owners of the parent company											Sub-total			
	Other equity instruments				Less:		Other								
Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit					
I. Closing balance of the previous year	3,526,441,400.00				931,041,044.64		-174,447,360.97	22,477,267.06			-2,559,231,002.38	1,746,281,348.35		1,746,281,348.35	
Add: Changes in accounting policies											-10,694,788.02	-10,694,788.02		-10,694,788.02	
Correction for error in previous period															
Business combination under common control															
Others															
II. Opening balance for the year	3,526,441,400.00				931,041,044.64		-174,447,360.97	22,477,267.06			-2,569,925,790.40	1,735,586,560.33		1,735,586,560.33	
III. Movements in the period (decrease is represented by "-")	-3,350,119,330.00				3,350,119,330.00		10,812,303.88				164,431,614.92	175,243,918.80		175,243,918.80	
(I) Total comprehensive income							10,812,303.88				164,431,614.92	175,243,918.80		175,243,918.80	
(II) Capital contribution and reduction from owners															
1. Ordinary shares contribution from owners															
2. Capital contribution from owners of other equity instruments															
3. Amount of share-based payment included in owners' equity															
4. Others															
(III) Profit distribution															
1. Appropriations of surplus reserve															
2. Appropriations of general risk reserve															
3. Distribution to owners (or shareholders)															
4. Others															

Consolidated Statement of Changes in Owner's Equity (Continued)

For the year 2022 (All amounts in RMB Yuan unless otherwise stated)

Item	For the year of 2021 (restated)														
	Equity attributable to the owners of the parent company												Minority interests	Total owner's equity	
	Other equity instruments				Less:		Other								
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total			
(IV) Transfer of owners' equity	-3,350,119,330.00				3,350,119,330.00										
1. Transfer to capital (or share capital) from capital reserve															
2. Transfer to capital (or share capital) from surplus reserve															
3. Surplus reserves for making up losses															
4. Changes in defined benefit plans transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others	-3,350,119,330.00				3,350,119,330.00										
(V) Special reserve															
1. Appropriations in the period															
2. Utilization in the period															
(VI) Others															
IV. Closing balance for the period	176,322,070.00				4,281,160,374.64		-163,635,057.09	22,477,267.06		-2,405,494,175.48	1,910,830,479.13			1,910,630,479.13	

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

Person in charge of the Company:
Tong Xiaofei

Person in charge of accounting:
Huang Weihong

Head of accounting department:
Luo Hongwei

Notes to the Financial Statements for 2022

(All amounts in RMB Yuan unless otherwise stated)

I. COMPANY PROFILE

(I) Company Profile

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

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

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

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

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

On 30 March 2021, in accordance with the approval obtained at the extraordinary general meeting, domestic share class meeting and the H share class meeting on 28 December 2020, the Company completed the capital reduction on the basis that every twenty (20) existing shares with a par value of RMB1 each be consolidated to one (1) share with a par value of RMB1 each, and the registered capital of the Company was changed to RMB176,322,070 and the total number of shares was changed to 176,322,070 shares, of which, 80,073,400 shares were domestic shares, accounting for 45.41%, and 96,248,670 were foreign shares, accounting for 54.59%.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

I. COMPANY PROFILE (Continued)

(I) Company Profile (Continued)

On 8 November 2021, the Board was informed by China Electronics Corporation* (中國電子信息產業集團有限公司), the ultimate controlling shareholder of the Company that, IRICO Group Company Limited* (彩虹集團有限公司) (“IRICO Group”) and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) (“Zhongdian IRICO”) entered into a share transfer agreement with Zhongdian Financial Investment Holdings Co., Ltd.* (中電金投控股有限公司) (“Zhongdian Financial Investment”), respectively, pursuant to which, IRICO Group agreed to transfer 26,920,000 domestic shares of the Company it held to Zhongdian Financial Investment, representing 15.27% of the total issued shares of the Company as at the date of this announcement; and Zhongdian IRICO agreed to transfer 19,230,000 H shares of the Company it held to Zhongdian Financial Investment, representing 10.91% of the total issued shares of the Company as at the date of this announcement, each at the consideration of RMB26 per share. As at 31 December 2022, the total share capital of the Company was 176,322,070 shares and the registered capital was RMB176,322,070.

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

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

The financial statements have been presented after approval by the Board of the Company on 29 March 2023.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

I. COMPANY PROFILE (Continued)

(II) Scope of the consolidated financial statements

As at 31 December 2022, subsidiaries included in the scope of the consolidated financial statements are set out as below:

Name of subsidiaries
IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司) (“Hefei Photovoltaic”)
IRICO Yan’an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司) (“Yan’an New Energy”)
Xianyang IRICO Photovoltaic Glass Co., Ltd. (咸陽彩虹光伏玻璃有限公司) (“Xianyang Photovoltaic”)
Jiangxi IRICO Photovoltaic Co., Ltd. (江西彩虹光伏有限公司) (“Jiangxi Photovoltaic”)

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

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation

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

(II) Going concern

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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 based on the characteristics of actual production and operation. Please refer to the notes “III. (XXVIII) Revenue”.

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

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

(II) Accounting period

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

(III) Operating cycle

The Company takes 12 months as its operating cycle.

(IV) Functional currency

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

(VI) Preparation method of consolidated financial statements

1. *Scope of consolidation*

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

2. *Consolidation procedures*

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

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

(1) Addition of subsidiary or business

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

(1) Addition of subsidiary or business (Continued)

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

(2) Disposal of subsidiary

(i) General treatment for disposal

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

(2) Disposal of subsidiary (Continued)

(ii) Stepwise disposal of subsidiary

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures (Continued)

(3) Purchase of minority interests in subsidiary

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

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

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Classification of joint arrangements and accounting treatment for joint operations (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 equity method adopted by the Company on investment in joint ventures.

(VIII) Recognition standard for cash and cash equivalents

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

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

1. *Foreign currency transactions*

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. *Translation of financial statements denominated in foreign currency (Continued)*

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

(X) Financial Instruments

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

1. *Classification of financial instruments*

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

1. *Classification of financial instruments (Continued)*

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

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through current profit or loss. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through current profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

2. Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortised cost

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

(6) Financial liabilities measured at amortised cost

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

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

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

4. *Derecognition of financial liabilities*

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of receivables

1. Bills receivable and accounts receivable

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

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of receivables (Continued)

1. Bills receivable and accounts receivable (Continued)

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of receivables (Continued)

1. *Bills receivable and accounts receivable (Continued)*

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

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

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

2. *Receivables financing*

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of receivables (Continued)

2. Receivables financing (Continued)

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

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

3. Other receivables

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Impairment of receivables (Continued)

4. *Others*

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

(XII) Inventories

1. *Classification and costs for inventories*

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

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

2. *Measurement for inventories delivered*

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Inventories (Continued)

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

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

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

4. *Inventory system*

The perpetual inventory system is adopted.

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Contract assets

1. *Recognition and standard of contract assets*

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

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

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

(XIV) Assets classified as held-for-sale

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

(XV) Long-term equity investments

1. *Joint control or significant influence criterion*

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Long-term equity investments (Continued)

2. *Determination of initial investment cost*

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Long-term equity investments (Continued)

2. *Determination of initial investment cost (Continued)*

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

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

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Long-term equity investments (Continued)

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Long-term equity investments (Continued)

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

(3) Disposal of long-term equity investments

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Long-term equity investments (Continued)

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

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

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

(XVI) Investment property

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Fixed assets

1. *Recognition and initial measurement of fixed assets*

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

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

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

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

2. *Methods for depreciation*

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Fixed assets (Continued)

2. Methods for depreciation (Continued)

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

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

3. Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from using or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in current profit or loss.

(XVIII) Construction in progress

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Borrowing costs

1. *Criteria for recognition of capitalised borrowing costs*

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

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

2. *Capitalisation period of borrowing costs*

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Borrowing costs (Continued)

3. *Suspension of capitalisation period*

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

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

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

As to general borrowings for the acquisition, construction or production of qualifying assets, the to-be-capitalised amount of borrowing costs on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specific borrowings and the capitalisation rate of the said general borrowings. The capitalisation rate shall be calculated and determined according to the weighted average actual interest rate of general borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are included in the current profits and losses.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Intangible assets

1. Measurement of intangible assets

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

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

(2) Subsequent measurement

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Intangible assets (Continued)

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Intangible assets (Continued)

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

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

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

(XXI) Impairment of long-term assets

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

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

(XXII) Long-term deferred expenses

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

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

(XXIII) Contract liabilities

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Employee benefits

1. *Accounting treatment methods of short-term benefits*

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

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

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

2. *Accounting treatment methods of post-employment benefits*

(1) Defined contribution scheme

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

(2) Defined benefit scheme

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Employee benefits (Continued)

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

(2) Defined benefit scheme (Continued)

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Employee benefits (Continued)

3. Accounting treatment of Termination benefits

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

(XXV) Estimated liabilities

The Company shall recognise an obligation related to contingency as the estimated liability when all of the following conditions are satisfied:

- (1) such obligation is the present obligation of the Company;
- (2) the performance of such obligation is likely to lead to an outflow of economic benefits of the Company;
- (3) the amount of such obligation can be reliably measured.

The estimated liabilities are initially measured at the best estimate of expenditure required for the performance of relevant present obligations.

The Company shall take into consideration the risks, uncertainties, time value of money and other factors relating to the contingencies in determining the best estimate. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

If there is a successive range of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the intermediate value of the range. In other cases, the best estimate are handled as follows:

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Estimated liabilities (Continued)

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

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

(XXVI) Share-based payments

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

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

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the share-based payment transactions granted to employees vest immediately, the fair value of the share-based payment transactions granted is, on grant date, recognised as relevant cost or expenses with a corresponding increase in capital reserve. If the share-based payment transactions granted to employees do not vest until the completion of services for a vesting period, or until the achievement of specified performance conditions, the Company, on each balance sheet date during the vesting period, according to the best estimate of the number of feasible equity instruments, includes the services received in the current period into the relevant cost or expense on the basis of the fair value on the date of grant, with a corresponding increase in capital reserve.

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Share-based payments (Continued)

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

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

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

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. If the share-based payment transactions granted to employees vest immediately, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the share-based payment transactions granted to employees do not vest until the completion of services for a vesting period, or until the specified performance conditions are met, at each balance sheet date during the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured and the changes will be included in the profit or loss for the current period.

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Revenue

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Revenue (Continued)

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

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

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

Where performance of a single service contract takes place over a certain period of time, revenue should be recognised as performance takes place, except where the stage of performance cannot be determined. The Company considers the nature of the goods or services and adopts the output method or the input method to determine the fulfillment progress of the performance. When the fulfillment progress of the performance cannot be determined reasonably, but is expected to recover the costs incurred, the Company should recognise revenue only to the extent of the cost until a reliable measure of progress can be made.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Revenue (Continued)

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

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

- the Company enjoys the right to collect cash on the goods or services, that is, the customer has the obligation to pay for the goods or services at the present time.
- the Company has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity.
- the Company has transferred the goods in kind to the customers, that is, the customers have actually taken possession of the goods.
- the Company has transferred the main risks and rewards in the ownership of the commodity to its customers, that is, the customers have acquired the main risks and rewards in the ownership of the commodity.
- the customer has accepted the goods or services.

2. *Specific methods for revenue recognition*

The Company recognises revenue at the point in time when the performance obligation in a contract is fulfilled, namely when the customer obtains control over the relevant goods or services. (1) Revenue recognition for domestic sales: sales revenue is recognised after the Company ships and delivers the products to the delivery place designated by the customer and with customer's verification and signing of the relevant documents; (2) Revenue recognition for export sales: the revenue is recognised after the Company ships and registers customs declaration procedures for good departure based on the Company's contracts or orders and commercial trading practices.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) Contract costs

Contract costs comprise contract performance costs and contract acquisition costs.

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

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

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

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

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

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

If the above-mentioned excess is higher than the book value of such assets as a result of any subsequent change of impairment factors in the previous period, the provision for impairment of assets previously made shall be reversed and included in profit or loss for the period as incurred to the extent the book value of the reversed asset shall not exceed the book value of the asset on the date of the reverse assuming no provision for impairment is made.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Government grants

1. *Types*

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

Government grants related to assets are those obtained by the Company for the purposes of acquisition, construction or other project that forms a long-term asset. Government grants related to income refer to the government grants other than those related to assets.

2. *Timing for recognition*

Government grants are recognised when the Company can comply with the conditions attached to them and when they can be received.

3. *Accounting treatment*

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Government grants (Continued)

3. Accounting treatment (Continued)

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

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

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

The exceptions for not recognition of deferred income tax assets and liabilities include:

- the initial recognition of the goodwill;
- transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

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

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rates during the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled in accordance with the provisions of the tax law.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future against which the benefits of the deferred tax asset will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

(XXXII) Lease

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

1. *The Company as a lessee*

(1) Right-of-use assets

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

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

The Company adopts straight-line method to accrue the depreciation of the right to use assets. If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the leased asset from the commencement date to the end of the useful life of the underlying asset; otherwise, the Company depreciates the leased asset from the commencement date to the earlier of the end of the useful life of the leased asset or the end of the lease term.

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in Note “III. (XXI)–Impairment of long-term assets” and conducts accounting treatment for impairment loss identified.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

1. The Company as a lessee (Continued)

(2) Lease liabilities

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

- fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive);
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under the guaranteed residual value provided by the Company;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease option, if the lease term reflects that the Company will exercise that option.

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

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

(2) Lease liabilities (Continued)

After the commencement date of lease term, if the following circumstances occur, the Company remeasures the lease liability and adjusts the carrying value of the right-of-use asset accordingly. If the carrying value of the right-of-use asset has been reduced to zero and the lease liability still needs to be further reduced, the Company accounts for the difference in the current profit or loss:

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

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

(4) Lease change

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

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

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

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

2. *The Company as a lessor*

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

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

(1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognised as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases to be incurred by the Company shall be capitalised and then included in the current profit and loss by stages at the same base as the recognition of rental income over the lease term. The variable lease payments not included in the measurement of lease payments shall be recognised in profit or loss in the period in which they are occurred. If a change in operating leases occurs, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease payment received in advance or receivable in connection with the lease prior to the change is considered to be the payments of the new lease.

(2) Accounting treatment of financing leases

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

2. The Company as a lessor (Continued)

(2) Accounting treatment of financing leases (Continued)

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

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

Where a change in a financing lease is not accounted for as a separate lease, the Company accounts for the lease after the change according to the following situation:

- In case where the lease would have been classified as an operating lease assuming the modification became effective at the commencement date of the lease, the Company accounts for it as a new lease from the effective date of the modification and the net investment in the lease prior to the effective date of the modification is taken as the carrying amount of the leased assets;
- In case where the lease would have been classified as a financing lease assuming the modification became effective at the commencement date of the lease, the Company conducts accounting treatment in accordance with the policy regarding the modification or renegotiation of contracts described in this Note “III. (X) Financial instruments”.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

3. *After-sale and leaseback transactions*

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

(1) As a lessee

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Lease (Continued)

3. After-sale and leaseback transactions (Continued)

(2) As a lessor

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

(XXXIII) Discontinued operations

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Asset backed securities

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

(XXXV) Segment reporting

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

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

(XXXVI) Critical accounting estimates and judgements

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXVI) Critical accounting estimates and judgements (Continued)

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

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

2. Net realisable value of inventories

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

3. Current and deferred income tax

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXVI) Critical accounting estimates and judgements (Continued)

3. Current and deferred income tax (Continued)

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

4. Impairment of financial assets

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

5. Impairment of non-financial assets

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXVII) Changes in significant accounting policies and accounting estimates

1. *Changes in significant accounting policies*

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

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

- (i) Accounting treatment of trial operation sales

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting policies (Continued)*

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

(i) Accounting treatment of trial operation sales (Continued)

Consolidation:

The line items affected	31 December 2022/For the year of 2022	31 December 2021/For the year of 2021	31 December 2020/For the year of 2020
Other current assets	1,564,820.63	1,564,820.63	
Fixed assets	-8,282,171.51	-10,432,137.53	-12,582,103.55
Deferred tax assets	-322,494.90		
Taxes charge payable			-1,887,315.53
Undistributed profit	-7,039,845.78	-8,867,316.90	-10,694,788.02
Operating revenue			107,336,061.32
Operating costs	-2,149,966.02	-2,149,966.02	119,918,164.87
Total profit	2,149,966.02	2,149,966.02	-12,582,103.55
Income tax expenses	322,494.90	322,494.90	-1,887,315.53
Net profit	1,827,471.12	1,827,471.12	-10,694,788.02
Net profit attributable to the shareholders of the parent company	1,827,471.12	1,827,471.12	-10,694,788.02

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. Changes in significant accounting policies (Continued)

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

(i) Accounting treatment of trial operation sales (Continued)

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

Item	31 December 2022/For the year of 2022			31 December 2021/For the year of 2021			31 December 2020/For the year of 2020		
	Operating revenue	Operating costs	Total profit	Operating revenue	Operating costs	Total profit	Operating revenue	Operating costs	Total profit
Yan 'an Solar Photovoltaic Glass Furnace Project* (延安太陽能光伏玻璃窯爐項目)		-2,149,966.02	2,149,966.02		-2,149,966.02	2,149,966.02	107,336,061.32	119,918,164.87	-12,582,103.55

(ii) Judgment on onerous contracts

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting policies (Continued)*

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

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

- (i) Accounting treatment for the income tax impact of dividends related to financial instruments classified as equity instruments by issuers

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting policies (Continued)*

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

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

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

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

2. *Changes in significant accounting estimates*

None.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IV. TAXATION

(I) Major tax categories and tax rates

Tax categories	Tax basis	Tax rate (%)
Value-added tax	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	13, 9, 6, 5, 3, 1
Urban maintenance and construction tax	Based on value added tax paid	7, 5
Educational surcharge and local education surcharge	Based on value added tax paid	3, 2
Enterprise income tax	Based on taxable profits	25, 15

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IV. TAXATION (Continued)

(II) Preferential tax treatment

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IV. TAXATION (Continued)

(II) Preferential tax treatment (Continued)

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary funds

Item	31 December 2022	31 December 2021 (restated)
Cash on hand		
Digital currency		
Bank deposit	408,832,090.42	411,742,786.14
Other monetary funds	183,652,221.23	290,358,157.41
Total	592,484,311.65	702,100,943.55
Including: Deposits with finance company	310,953.17	144,606,239.35

Restricted Monetary funds:

Item	31 December 2022	31 December 2021 (restated)
Security deposit for bills and letter of credit	103,596,665.67	180,358,157.41
Pledged certificates of deposit	80,055,555.56	110,000,000.00
Total	183,652,221.23	290,358,157.41

(II) Financial assets held for trading

Item	31 December 2022	31 December 2021 (restated)
Classified as financial assets measured at fair value through profit and loss	254,707.15	299,398.19
Including: investment in equity instruments	254,707.15	299,398.19
Total	254,707.15	299,398.19

Note: Investments in equity instruments are publicly issued shares.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(III) Bills receivable

1. Bills receivables by category

Item	31 December 2022	31 December 2021 (restated)
Bank acceptance bills	419,924,331.93	395,580,913.00
Finance company acceptance bills	12,178,260.68	5,917,862.46
Total	432,102,592.61	401,498,775.46

2. Bills receivable pledged by the Company at the end of the period

Item	Amount pledged at the end of the period
Bank acceptance bills	118,314,949.26
Total	118,314,949.26

Note: Pledged bills are guarantees provided for the issuance of bank acceptance bills in the bill pool.

3. Bills receivable endorsed or discounted by the Company at the end of the period and not mature at the balance sheet date

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills		280,489,707.39
Total		280,489,707.39

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

2. Accounts receivables disclosed according to provision for bad debts

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

Allowance for bad debts made on individual basis:

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

2. Accounts receivables disclosed according to provision for bad debts (Continued)

Allowance for bad debts made on group basis:

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

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

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

Name	31 December 2022		
	Accounts receivables	Allowance for bad debts	Appropriation proportion (%)
Low credit risk portfolio	14,351,316.56		
Total	14,351,316.56		

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Accounts receivable (Continued)

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

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

As at 31 December 2022, the information on the impairment of accounts receivable and the Company's exposure to credit risk and foreign currency risk is set out in Note VIII.

As at 31 December 2022, the carrying amounts of accounts receivable approximated their fair values.

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

(V) Receivables financing

1. Receivables financing

Item	31 December 2022	31 December 2021 (restated)
Bills receivable	591,856,065.84	354,722,215.86
Total	591,856,065.84	354,722,215.86

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(V) Receivables financing (Continued)

2. *Receivables financing pledged by the Company at the end of the period*

Category	Amount pledged at the end of the period
Bank acceptance bills	321,987,932.54
Total	321,987,932.54

3. *Bills receivable endorsed or discounted at the end of the period and not mature at the balance sheet date*

Category	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	717,778,019.39	
Total	717,778,019.39	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(V) Receivables financing (Continued)

4. Changes in receivables financing for the period and changes in fair value

Item	31 December 2021 (restated)	New grants for the period	Derecognition for the period	Other changes	31 December 2022	Accumulated
						allowance for losses recognized in other comprehensive income
Bank acceptance bills	354,722,215.86	1,555,424,590.76	1,318,290,740.78		591,856,065.84	
Total	354,722,215.86	1,555,424,590.76	1,318,290,740.78		591,856,065.84	

(VI) Prepayments

1. Prepayments stated according to aging analysis

Aging	31 December 2022		31 December 2021 (restated)	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	71,111,006.64	96.96	68,174,210.28	99.84
1-2 years (inclusive)	2,132,128.45	2.91	22,157.41	0.03
2-3 years (inclusive)	19,209.03	0.03	11,460.50	0.02
Over 3 years	76,971.04	0.10	75,542.54	0.11
Total	73,339,315.16	100.00	68,283,370.73	100.00

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VI) Prepayments (Continued)

2. Top five prepayments according to closing balance of counterparties

Counterparties	31 December 2022	Percentage of closing balance of total prepayments (%)
Henan Jindadi Chemical Co., Ltd (河南金大地化工有限責任公司)	24,510,000.00	33.41
Yan'an Gas Co., Ltd.* (延安燃氣有限責任公司)	14,708,911.07	20.06
CNSG Anhui Hong Sifang Co., Ltd. (中鹽安徽紅四方股份有限公司)	8,160,000.00	11.13
Ningxia Jinjing Technology Co., Ltd.* (寧夏金晶科技有限公司)	5,645,150.59	7.70
BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥))	4,339,622.65	5.92
Total	57,363,684.31	78.22

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables

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

1. Other receivables

(1) Other receivables disclosed by aging

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

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

Allowance for bad debts made on group basis:

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

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(3) Allowances for bad debts

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

(3) Allowances for bad debts (Continued)

Change in book balance of other receivables is as follows:

Book balance	Stage I ECL for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
As at 31 December 2021 (restated)	35,602,332.58			35,602,332.58
Balance at the end of last year during the period				
- Transferred to Stage II				
- Transferred to Stage III				
- Reversed to Stage II				
- Reversed to Stage I				
Addition in the period	32,259,829.13			32,259,829.13
Derecognition in the period	50,315,272.90			50,315,272.90
Other changes				
31 December 2022	17,546,888.81			17,546,888.81

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. *Other receivables (Continued)*

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

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

(5) Receivables by nature

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Other receivables (Continued)

1. Other receivables (Continued)

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VIII) Inventories

1. Categories of inventories

Item	31 December 2022			31 December 2021 (restated)		
	Book balance	Provision for impairment of inventories/ provision for contract performance costs	Carrying amount	Book balance	Provision for impairment of inventories/ provision for contract performance costs	Carrying amount
Goods in stock	206,127,130.71	3,797,718.96	202,329,411.75	136,895,722.78	15,533,911.63	121,361,811.15
Goods in transit	59,094,122.20	319,286.99	58,774,835.21	30,461,141.63	319,286.99	30,141,854.64
Raw materials	49,176,469.93	618,111.46	48,558,358.47	46,135,391.49	518,830.50	45,616,560.99
Revolving materials and others	30,446,130.07	2,408,491.05	28,037,639.02	26,466,114.28	2,332,454.22	24,133,660.06
Semi-finished goods and work-in-process	18,917,329.80	150,775.60	18,766,554.20	4,585,187.71		4,585,187.71
Total	363,761,182.71	7,294,384.06	356,466,798.65	244,543,557.89	18,704,483.34	225,839,074.55

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(VIII) Inventories (Continued)

2. Provision for impairment of inventories and provision for contract performance costs

Item	31 December	Increase in the period		Decrease in the period		31 December
	2021 (restated)	Accrue	Others	Reversal or Write-off	Others	2022
Goods in stock	15,533,911.63	2,008,388.18		13,744,580.85		3,797,718.96
Goods in transit	319,286.99					319,286.99
Raw materials	518,830.50	99,280.96				618,111.46
Revolving materials and others	2,332,454.22	76,036.83				2,408,491.05
Semi-finished goods and work-in-process		150,775.60				150,775.60
Total	18,704,483.34	2,334,481.57		13,744,580.85		7,294,384.06

Note: The amount of reversal of provision for impairment of inventories of goods in stock was RMB1,372,060.09 and the amount of write-off was RMB12,372,520.76 for the current period.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(IX) Other current assets

Item	31 December 2022	31 December 2021 (restated)
Input VAT deductible	38,647,936.48	35,531,636.38
Deferred expenses	2,244,313.61	
Prepaid EIT	1,564,820.63	8,197,951.03
Total	42,457,070.72	43,729,587.41

(X) Long-term receivables

1. Long-term receivables

Item	31 December 2022			31 December 2021 (restated)			Closing discount rate range
	Book balance	Allowance for bad debts	Carrying amount	Book balance	Allowance for bad debts	Carrying amount	
Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩 虹佳潤澤礦業有限公司)			19,110,000.00			19,110,000.00	
Total			19,110,000.00			19,110,000.00	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XI) Long-term equity investments

Name of investees	31 December 2021 (restated)	Increase in investment	Decrease in investment	Increase/decrease in the period				Closing balance 31 December 2022	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		
Associate									
Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹 佳潤澤礦業有限公司)	8,952,949.24		8,323,029.70	-629,919.54					
Total	8,952,949.24		8,323,029.70	-629,919.54					

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

(XII) Other investment in equity instruments

1. Details of other investment in equity instruments

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XII) Other investment in equity instruments (Continued)

2. Details of investment in non-trading equity instruments

Items	Dividend income recognized in the year	Accumulated Gains	Accumulated Losses	Amount of transferred to retained earnings from other comprehensive income	Reasons for designating as financial assets at fair value through other comprehensive income	Reasons for transferring to retained earnings from other comprehensive income
IRICO Display Devices Co., Ltd. (彩虹顯示器件股份有限公司)			500,580,304.90		Investment in equity instrument not held for trading purposes	
Shaanxi IRICO Electronics Glass Co., Ltd. (陝西彩虹電子玻璃 有限公司)			7,825,235.56		Investment in equity instrument not held for trading purposes	

(XIII) Fixed assets

1. Fixed assets and disposal of fixed assets

Item	31 December 2022	31 December 2021 (restated)
Fixed assets	2,436,460,256.76	1,859,294,037.79
Disposal of fixed assets	2,829,294.16	2,829,294.16
Total	2,439,289,550.92	1,862,123,331.95

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIII) Fixed assets (Continued)

2. Details of fixed assets

Item	Buildings and structures	Machinery and equipment	Transportation tools	Office equipment and others	Total
1. Original carrying amount					
(1) 31 December 2021 (restated)	973,378,776.97	1,774,119,511.55	11,851,530.97	5,710,516.61	2,765,060,336.10
(2) Increase in the period	248,374,909.95	462,974,412.96	9,252,815.39	1,037,329.41	721,639,467.71
–Purchase	531,737.03	3,779,662.67		957,407.86	5,268,807.56
–Transferred from construction in progress	247,843,172.92	459,194,750.29	9,252,815.39	79,921.55	716,370,660.15
(3) Decrease in the period		83,179,557.34			83,179,557.34
–Transferred to construction in progress		83,179,557.34			83,179,557.34
(4) 31 December 2022	1,221,753,686.92	2,153,914,367.17	21,104,346.36	6,747,846.02	3,403,520,246.47
2. Accumulated depreciation					
(1) 31 December 2021 (restated)	126,500,815.40	349,549,034.07	6,584,072.86	2,303,269.02	484,937,191.35
(2) Increase in the period	33,156,424.67	93,308,270.41	889,423.56	699,813.74	128,053,932.38
–Provision	33,156,424.67	93,308,270.41	889,423.56	699,813.74	128,053,932.38
(3) Decrease in the period		17,603,031.73			17,603,031.73
–Transferred to construction in progress		17,603,031.73			17,603,031.73
(4) 31 December 2022	159,657,240.07	425,254,272.75	7,473,496.42	3,003,082.76	595,388,092.00
3. Provision for impairment					
(1) 31 December 2021 (restated)	3,126,964.80	414,301,500.62	2,741,865.55	658,775.99	420,829,106.96
(2) Increase in the period					
–Provision					
(3) Decrease in the period		49,157,209.25			49,157,209.25
–Transferred to construction in progress		49,157,209.25			49,157,209.25
(4) 31 December 2022	3,126,964.80	365,144,291.37	2,741,865.55	658,775.99	371,671,897.71
4. Carrying amount					
(1) 31 December 2022	1,058,969,482.05	1,363,515,803.05	10,888,984.39	3,085,987.27	2,436,460,256.76
(2) 31 December 2021 (restated)	843,750,996.77	1,010,268,976.86	2,525,592.56	2,748,471.60	1,859,294,037.79

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIII) Fixed assets (Continued)

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

Item	Carrying amount	Reasons for having not to obtained the title of certificates
Buildings and structures	346,747,012.92	The title of certificate of Hefei Photovoltaic is in progress
Total	346,747,012.92	

4. Disposal of fixed assets

Item	31 December 2022	31 December 2021 (restated)
Machinery and equipment	2,829,294.16	2,829,294.16
Total	2,829,294.16	2,829,294.16

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIII) Fixed assets (Continued)

5. Other explanation

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

Located in Mainland China	31 December 2022	31 December 2021 (restated)
Medium-term (10–50 years)	2,201,068,496.19	1,665,383,878.66
Short-term (within 10 years)	235,391,760.57	193,910,159.13

(XIV) Construction in progress

1. Construction in progress and construction materials

Item	31 December 2022	31 December 2021 (restated)
Construction in progress	441,379,976.42	530,673,922.41
Construction materials	345,733.89	
Total	441,725,710.31	530,673,922.41

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIV) Construction in progress (Continued)

2. Construction in progress

Item	31 December 2022		31 December 2021 (restated)			
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Jiangxi photovoltaic Shangrao ultra-thin high-transparency photovoltaic glass project (phase I) (江西光伏上饒超薄高透光電玻璃一期項目)	411,070,748.35		411,070,748.35	5,819,629.88		5,819,629.88
IRICO Xianyang ultra-thin high-transparency photovoltaic glass production line construction project (彩虹威陽超薄高透光電玻璃生產線建設項目)	30,309,228.07		30,309,228.07	7,439,226.60		7,439,226.60
Hefei photovoltaic continued expansion project (phase III) (合肥光伏三期擴建項目)				306,768,892.85		306,768,892.85
Hefei photovoltaic plant and infrastructure construction project (合肥光伏廠房及基礎設施建設項目)				198,972,880.51		198,972,880.51
Hefei photovoltaic technological reform and technological measures project (phase II) (合肥光伏二期技改措施項目)				9,828,356.19		9,828,356.19
Hefei photovoltaic technological reform and technological measures project (phase I) (合肥光伏一期技改措施項目)				1,844,936.38		1,844,936.38
Total	441,379,976.42		441,379,976.42	530,673,922.41		530,673,922.41

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIV) Construction in progress (Continued)

3. Movements of significant construction in progress for the period

Name of project	Budgeted amount	31 December		Amount transferred for the period	Other decreases for the period	31 December 2022	Accumulated investment in project as a percentage of total budget (%)	Project progress (%)	Accumulated amount of interest capitalized	Of which: amount of interest capitalized for the period	Interest capitalized rate for the period (%)	Sources of fund
		2021 (restated)	Increase for the period									
Jiangxi photovoltaic Shangrao ultra-thin high-transparency photovoltaic glass project (phase I) (江西光伏上饒超薄高透光光伏玻璃一期項目)	3,032,890,000.00	5,819,629.88	405,251,118.47			411,070,748.35	13.55	13.55	4,337,663.76	4,337,663.76	3.55-4.25	Self-raised funds and loans from financing institution
IRICO Xianyang ultra-thin high-transparency photovoltaic glass production line construction project (彩虹咸陽超薄高透光電玻璃生產線建設項目)	197,150,000.00	7,439,226.60	92,766,831.14	69,896,829.67		30,309,228.07	51.53	51.53	768,374.72	768,374.72	3.75-4.05	Self-raised funds and loans from financing institution
Hefei photovoltaic continued expansion project (phase III) (合肥光伏三期擴建項目)	600,000,000.00	306,768,892.85	87,044,720.11	393,813,612.96			65.64	100.00				Self-raised funds and loans from financing institution
Hefei photovoltaic plant and infrastructure construction project (合肥光伏廠房及基礎設施建設項目)	700,000,000.00	198,972,880.51	39,103,703.77	238,076,584.28			89.07	100.00	33,217,511.86			Self-raised funds and loans from financing institution
Total		519,000,629.84	624,166,373.49	701,787,026.91		441,379,976.42			38,323,550.34	5,106,038.48		

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIV) Construction in progress (Continued)

4. Construction materials

Item	31 December 2022		31 December 2021 (restated)			
	Book balance	Provision for impairment of construction materials	Carrying amount	Book balance	Provision for impairment of construction materials	Carrying amount
Labour protection gears	345,733.89		345,733.89			
Total	345,733.89		345,733.89			

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XV) Right-of-use assets

Item	Buildings and structures	Total
1. Original carrying amount		
(1) 31 December 2021 (restated)	1,086,200.17	1,086,200.17
(2) Increase for the period	1,086,200.17	1,086,200.17
– Additional lease	1,086,200.17	1,086,200.17
(3) Decrease for the period		
– Disposal		
(4) 31 December 2022	2,172,400.34	2,172,400.34
2. Accumulated depreciation		
(1) 31 December 2021 (restated)	543,100.09	543,100.09
(2) Increase for the period	543,100.08	543,100.08
– Provision	543,100.08	543,100.08
(3) Decrease for the period		
– Disposal		
(4) 31 December 2022	1,086,200.17	1,086,200.17
3. Provision for impairment		
(1) 31 December 2021 (restated)		
(2) Increase for the period		
– Provision		
(3) Decrease for the period		
– Transferred to fixed assets		
– Disposal		
(4) 31 December 2022		
4. Carrying amount		
(1) 31 December 2022	1,086,200.17	1,086,200.17
(2) 31 December 2021 (restated)	543,100.08	543,100.08

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XVI) Intangible assets

1. Intangible assets

Item	Land use rights	Software	Software
1. Original carrying amount			
(1) 31 December 2021 (restated)	211,228,910.28	3,772,662.41	215,001,572.69
(2) Increase for the period		183,185.84	183,185.84
– Purchase		183,185.84	183,185.84
(3) Decrease for the period	904,754.08		904,754.08
– Disposal	904,754.08		904,754.08
(4) 31 December 2022	210,324,156.20	3,955,848.25	214,280,004.45
2. Accumulated depreciation			
(1) 31 December 2021 (restated)	35,231,212.39	3,737,412.46	38,968,624.85
(2) Increase for the period	4,232,856.13	98,303.14	4,331,159.27
– Provision	4,232,856.13	98,303.14	4,331,159.27
(3) Decrease for the period	203,569.67		203,569.67
– Disposal	203,569.67		203,569.67
(4) 31 December 2022	39,260,498.85	3,835,715.60	43,096,214.45
3. Provision for impairment			
(1) 31 December 2021 (restated)			
(2) Increase for the period			
– Provision			
(3) Decrease for the period			
– Disposal			
(4) 31 December 2022			
4. Carrying amount			
(1) 31 December 2022	171,063,657.35	120,132.65	171,183,790.00
(2) 31 December 2021 (restated)	175,997,697.89	35,249.95	176,032,947.84

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XVII) Long-term deferred expenses

Item	31 December 2021 (restated)	Increase for the period	Amortisation for the period	Other decreases	31 December 2022
High reliability backup power supply for 10 kV power supply	4,024,174.53		1,238,207.52		2,785,967.01
Building and other renovation projects	880,407.69	8,429,191.66	273,054.99		9,036,544.36
Equipment modification item		3,699,820.60	180,443.67		3,519,376.93
Total	4,904,582.22	12,129,012.26	1,691,706.18		15,341,888.30

(XVIII) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets which are not offset

Item	31 December 2022		31 December 2021 (restated)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deductible losses	84,171,920.31	12,625,788.05	143,156,873.72	21,473,531.06
Provision for asset impairment	3,007,232.41	451,084.87	15,151,690.87	2,272,753.64
Total	87,179,152.72	13,076,872.92	158,308,564.59	23,746,284.70

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XVIII) Deferred tax assets and deferred tax liabilities (Continued)

2. *Breakdown of unrecognised deferred income tax assets*

Item	31 December 2022	31 December 2021 (restated)
Deductible temporary differences	903,805,701.40	878,036,656.39
Deductible losses	255,964,529.07	350,551,390.40
Total	1,159,770,230.47	1,228,588,046.79

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

Year	31 December 2022	31 December 2021 (restated)	Remarks
2022		89,595,898.13	
2023	67,033,570.68	67,033,570.68	
2024			
2025			
2026 and subsequent years	188,930,958.39	193,921,921.59	
Total	255,964,529.07	350,551,390.40	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XIX) Other non-current assets

Item	31 December 2022			31 December 2021 (restated)		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Fixed deposit receipt	200,222,222.22		200,222,222.22			
Prepayment for equipment	148,291,092.75		148,291,092.75			
Total	348,513,314.97		348,513,314.97			

(XX) Short-term borrowings

1. Categories of short-term borrowings

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XX) Short-term borrowings (Continued)

2. Details on the categories of short-term borrowings

Guaranteed borrowings:

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXI) Notes payables

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

(XXII) Accounts payable

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXII) Accounts payable (Continued)

2. Significant accounts payable aged over 1 year

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

3. Accounts payable by nature

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIII) Contract liabilities

1. Contract liabilities

Item	31 December 2022	31 December 2021 (restated)
Payment for goods	9,177,620.54	3,809,488.82
Total	9,177,620.54	3,809,488.82

Note: The Company accounts for the advance payment from customers for goods based on goods sales contracts as contract liabilities, and the related contract liabilities are recognised as sales revenue when the control of the goods is transferred to the customer. The advance payment from customers for goods at the beginning of the year have all been recognised as revenue in the current year, and the contract liabilities at the end of the year are expected to be recognised as revenue in 2023.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIV) Employee benefits payable

1. *Employee benefits payable is shown as follows*

Item	31 December 2021 (restated)	Increase for the period	Decrease for the period	31 December 2022
Short-term benefits	18,153,037.95	190,490,770.02	207,047,183.52	1,596,624.45
Post-employment benefits – defined contribution scheme		19,803,943.00	19,803,943.00	
Termination benefits	579,221.46	217,538.50	217,538.50	579,221.46
Total	18,732,259.41	210,512,251.52	227,068,665.02	2,175,845.91

2. *Short-term benefits is shown as follows*

Item	31 December 2021 (restated)	Increase for the period	Decrease for the period	31 December 2022
(1) Salaries, bonuses, allowance and subsidies	11,668,813.00	147,236,286.62	158,905,099.62	
(2) Staff welfare	624,953.19	14,135,788.67	14,581,776.26	178,965.60
(3) Social insurance	33,475.79	9,887,724.44	9,833,038.77	88,161.46
Including: Medical insurance	29,537.46	7,967,824.99	7,919,572.93	77,789.52
Work-related injury insurance		1,107,635.01	1,107,635.01	
Maternity insurance	3,938.33	693,123.25	686,689.64	10,371.94
Others		119,141.19	119,141.19	
(4) Housing provident fund		11,759,339.12	11,759,339.12	
(5) Labour union expenses and employee education expenses	5,825,795.97	3,265,973.96	7,762,272.54	1,329,497.39
(6) Other short-term benefits		4,205,657.21	4,205,657.21	
Total	18,153,037.95	190,490,770.02	207,047,183.52	1,596,624.45

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIV) Employee benefits payable (Continued)

3. Defined contribution scheme is shown as follows

Item	31 December	Increase for the period	Decrease for the period	31 December
	2021 (restated)			2022
Basic pension insurance		19,113,449.67	19,113,449.67	
Unemployment insurance		690,493.33	690,493.33	
Total		19,803,943.00	19,803,943.00	

(XXV) Taxes payable

Tax item	31 December 2022	31 December 2021 (restated)
Value-added tax	8,825,520.03	4,809,598.17
Real estate tax	1,873,247.75	1,676,523.10
Enterprise income tax	1,349,707.21	
Urban maintenance and construction tax	1,345,309.14	1,339,694.36
Land use tax	819,627.00	822,458.86
Individual income tax	757,844.84	950,489.63
Education surcharge	404,084.57	201,700.12
Stamp duty	377,473.08	133,315.90
Water conservancy construction funds	261,677.30	188,987.76
Others	661,638.51	595,019.56
Total	16,676,129.43	10,717,787.46

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVI) Other payables

Item	31 December 2022	31 December 2021 (restated)
Interest payable		
Dividends payable		
Other payables	86,520,207.50	67,381,715.92
Total	86,520,207.50	67,381,715.92

1. Other payables

(1) Payables stated by nature

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVI) Other payables (Continued)

1. Other payables (Continued)

(2) Other major payables aged more than one year

Item	31 December 2022	Reasons for outstanding or carried forward
Zhangjiagang Economic Development Zone Holding Group Co., Ltd. (張家港經開區控股集團有限公司)	31,092,733.24	Not settled
Total	31,092,733.24	

(XXVII) Non-current liabilities due within one year

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVII) Non-current liabilities due within one year (Continued)

Explanations on long-term loans due within one year:

Guaranteed loans:

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

- Note: 1. The remaining long-term loans due within one year of RMB16,381,200 are credit loans.
2. The Guarantor is the Company, which guarantees its subsidiaries.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVII) Non-current liabilities due within one year (Continued)

Explanations on long-term payables due within one year:

Lender	31 December 2022	Guarantor
Shangrao Binjiang Investment Co., Ltd.* (上饒市濱江投資有限公司)	62,256.94	IRICO Group New Energy Company Limited (彩虹集團 新能源股份有限公司)
Total	62,256.94	

(XXVIII) Other current liabilities

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIX) Long-term borrowings

Classification of long-term borrowings:

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

Explanations on classification of long-term borrowings:

Guaranteed borrowings:

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXX) Lease liabilities

Item	31 December 2022	31 December 2021 (restated)
Lease payments	1,164,190.40	582,095.20
Less: Unrecognized financing expenses	77,990.23	26,395.72
Reclassification to non-current liabilities due within one year	555,699.47	555,699.48
Total	530,500.70	

(XXXI) Long-term payables

Item	31 December 2022	31 December 2021 (restated)
Long-term payables	50,000,000.00	13,465,592.05
Total	50,000,000.00	13,465,592.05

1. Long-term payables

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXI) Long-term payables (Continued)

1. Long-term payables (Continued)

Explanation on long-term payables:

Lender	31 December 2022	Collateral/guarantor
Shangrao Binjiang Investment Co., Ltd.* (上饒市濱江投資有限公司)	50,000,000.00	IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)
Total	50,000,000.00	

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

(XXXII) Long-term employee benefits payable

1. Breakdown of long-term employee benefits payable

Item	31 December 2022	31 December 2021 (restated)
Termination benefits		1,187,564.81
Total		1,187,564.81

(XXXIII) Deferred income

Item	31 December 2021 (restated)	Increase for the period	Decrease for the period	31 December 2022	Source
Government grants	62,242,483.55	7,500,000.00	4,689,267.24	65,053,216.31	Appropriation
Total	62,242,483.55	7,500,000.00	4,689,267.24	65,053,216.31	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXIII) Deferred income (Continued)

Projects involving government grants:

Liabilities	31 December 2021 (restated)	New grants during the period	Amount included in profit or loss during the period	Other changes	31 December 2022	Other changes assets/related to income
Local incentives fund	60,916,316.88		1,550,697.84		59,365,619.04	Related to assets
Construction of a smart plant for solar photovoltaic glass manufacture		4,200,000.00	1,292,307.69		2,907,692.31	Related to assets
Government subsidies for solar photovoltaic glass and coated tempered glass production line	1,240,000.00		200,000.00		1,040,000.00	Related to assets
Equipment upgrade project of wide high-transmissivity and ultra-thin photovoltaic glass 18X		1,300,000.00	267,647.05		1,032,352.95	Related to assets
IRICO Shangrao project plant subsidy		2,000,000.00	1,333,333.36		666,666.64	Related to assets
Special incentive funds for technical transformation of small and medium-sized enterprises	86,166.67		45,281.30		40,885.37	Related to assets
Total	62,242,483.55	7,500,000.00	4,689,267.24		65,053,216.31	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXIV) Share capital

Item	31 December 2021 (restated)	Issue of new shares	Increase/(decrease) (+, -) for the period			Subtotal 31 December 2022
			Bonus issue	Shares transferred from reserve	Others	
Total shares	176,322,070.00					176,322,070.00

(XXXV) Capital reserve

Item	31 December 2021 (restated)	Increase for the period	Decrease for the period	31 December 2022
Capital premium (share premium)	546,968,390.11			546,968,390.11
Other capital reserve	3,734,191,984.53			3,734,191,984.53
Total	4,281,160,374.64			4,281,160,374.64

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXVI) Other comprehensive income

Item	31 December 2021 (restated)	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	31 December 2022
			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	-163,635,057.09	-78,096,378.57			-78,096,378.57			-241,731,435.66
Including: changes in fair value of investments in other equity instruments	-163,635,057.09	-78,096,378.57			-78,096,378.57			-241,731,435.66
Total other comprehensive income	-163,635,057.09	-78,096,378.57			-78,096,378.57			-241,731,435.66

(XXXVII) Surplus reserve

Item	31 December 2021 (restated)	Increase for the period	Decrease for the period	31 December 2022
Statutory surplus reserve	22,477,267.06			22,477,267.06
Total	22,477,267.06			22,477,267.06

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXVIII) Undistributed profits

Item	2022	2021 (restated)
Undistributed profits at end of last year before adjustment	-2,396,626,858.58	-2,559,231,002.38
Adjustment for undistributed profits at beginning of year (“+” for plus; “-” for less)	-8,867,316.90	-10,694,788.02
Undistributed profits at beginning of year after adjustment	-2,405,494,175.48	-2,569,925,790.40
Add: Net profit attributable to owners of the Company during the period	89,232,396.74	164,431,614.92
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	-2,316,261,778.74	-2,405,494,175.48

(XXXIX) Operating revenue and operating costs

1. Information on operating revenue and operating costs

Item	2022		2021 (restated)	
	Revenue	Costs	Revenue	Costs
Principal businesses	2,436,948,425.13	2,103,055,158.44	2,048,481,274.25	1,611,751,452.13
Other businesses	33,329,042.52	4,368,497.67	18,581,427.83	4,837,659.96
Total	2,470,277,467.65	2,107,423,656.11	2,067,062,702.08	1,616,589,112.09

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXIX) Operating revenue and operating costs (Continued)

1. Information on operating revenue and operating costs (Continued)

Details of operating revenue:

Item	2022	2021 (restated)
Revenue from principal businesses	2,436,948,425.13	2,048,481,274.25
Including: Photovoltaic glass	2,436,948,425.13	2,048,481,274.25
Revenue from other businesses	33,329,042.52	18,581,427.83
Including: Sales of scrap	19,218,121.27	6,283,254.71
Revenue from hydropower	7,066,460.97	6,603,691.10
Housing leasing	7,044,460.28	5,411,463.15
Others		283,018.87
Total	2,470,277,467.65	2,067,062,702.08

2. Revenue from contract

Revenue by segment reporting	Solar photovoltaic and module business	Others	Intersegment eliminations	Total
Principal operating revenue	2,436,948,425.13			2,436,948,425.13
Other operating revenue		33,329,042.52		33,329,042.52
Total	2,436,948,425.13	33,329,042.52		2,470,277,467.65

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXIX) Operating revenue and operating costs (Continued)

3. *Revenue from geographical information*

	2022
The PRC (excluding Hong Kong)	2,467,849,634.27
Other countries or regions	2,427,833.38
Total	2,470,277,467.65

4. *Information about major customers*

In 2022, the Company has two customer which individually represented over 10% of the Company's total external sales.

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

Customer	2022	2021 (restated)
Customer A	343,395,436.05	
Customer B	310,838,154.93	
Customer C		260,113,780.72
Customer D		213,001,740.22
Total	654,233,590.98	473,115,520.94

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXIX) Operating revenue and operating costs (Continued)

5. *Performance obligation*

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

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XL) Taxes and surcharges

Item	2022	2021 (restated)
Real estate tax	7,424,747.96	6,423,300.83
Land use tax	3,284,171.81	3,289,835.61
Urban maintenance and construction tax	2,842,469.59	3,888,346.14
Water conservancy construction funds	2,710,620.40	1,725,874.07
Education surcharge	1,934,799.42	3,081,884.72
Stamp duty and others	4,378,038.50	2,747,594.25
Total	22,574,847.68	21,156,835.62

(XLI) Selling expenses

Item	2022	2021 (restated)
Payroll	2,354,504.85	3,719,032.91
Traveling expenses	1,498,895.92	1,693,240.48
Certification test fees	485,505.66	323,584.91
Entertainment expenses	360,669.41	472,969.91
Commission and handling fees	244,848.61	288,190.97
Advertising and publicity expenses		247,524.75
Others	39,351.48	396,626.66
Total	4,983,775.93	7,141,170.59

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLII) Administrative expenses

Item	2022	2021 (restated)
Repair maintenance expenses	37,614,645.74	34,888,743.23
Payroll	30,468,650.03	25,676,645.39
Depreciation and amortization expense	26,166,722.67	23,723,113.21
Agency expenses	4,085,279.82	5,219,331.84
Property rental income	4,065,648.09	3,166,230.88
Loss on shutdown	3,370,919.36	10,250,097.91
Auditors' remuneration	1,858,490.57	1,858,490.57
Office expenses	1,328,268.66	1,030,610.22
Traveling expenses	875,722.75	1,020,409.30
Entertainment fees	501,670.53	449,131.37
Insurance	231,651.82	243,523.16
Others	2,779,484.49	2,601,554.65
Total	113,347,154.53	110,127,881.73

(XLIII) Research and development expenses

Item	2022	2021 (restated)
Materials costs	32,040,244.73	25,997,929.13
Payroll	15,452,886.94	11,868,051.75
Power expenses	14,386,717.46	11,672,345.11
Depreciation	4,970,264.32	4,795,608.63
Others	16,752.80	66,249.09
Total	66,866,866.25	54,400,183.71

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLIV) Finance costs

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

(XLV) Other incomes

Item	2022	2021 (restated)
Government grants	15,362,944.07	16,853,177.60
Subsidy for production shutdown of IRICO Photovoltaic Glass Factory		8,464,167.00
Handling fee for withholding individual income tax	12,650.78	112,509.07
Total	15,375,594.85	25,429,853.67

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLV) Other incomes (Continued)

Government grants included in other incomes:

Item	2022	2021 (restated)	Related to assets/ Related to income
The subsidies per kWh of Hefei photovoltaic power station	2,859,754.00	3,037,386.00	Related to income
“Selecting the best candidates via open competition mechanism” project funds of Xianyang High-tech Zone	1,960,000.00		Related to income
Subsidies for industrial fixed assets of Technical Improvement Projects in the category of “Post-Reward and Supplement” from the High-tech Industrial Development Zone Economic and Trade Development Bureau of Xinzhan District of Hefei in the first half of 2020	1,805,100.00		Related to income
Local incentives fund	1,550,697.84	1,550,697.84	Related to assets
Factory subsidies for IRICO Shangrao project	1,333,333.36		Related to assets
Solar photovoltaic glass manufacturing intelligent factory construction project	1,292,307.69		Related to assets
Awards and grants for 2021 financial incremental contribution from the High-tech Industrial Development Zone Economic and Trade Development Bureau of Xinzhan District of Hefei	1,052,000.00		Related to income
Incentives grants of manufacturing strong province, private economic policy in 2022 from the Economic and Trade Development Bureau of Xinzhan District of Hefei	1,000,000.00		Related to income
Incentives grants of Specialised, Refined, Differentiated and Innovative champion enterprise in 2022 from the Economic and Trade Development Bureau of Xinzhan District of Hefei	800,000.00		Related to income
Subsidy for stabilizing employment	696,685.79	274,910.43	Related to income

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLV) Other incomes (Continued)

Item	2022	2021 (restated)	Related to assets/ Related to income
Equipment upgrade project of wide high transparency and ultra-thin photovoltaic glass 18X	267,647.05		Related to assets
Reduction of basic medical insurance premium for employees in stages of Yan'an city	218,237.04		Related to income
Government subsidies for solar photovoltaic glass and coated tempered glass production line	200,000.00	3,200,000.00	Related to assets
Pre-job skill training subsidies for staffs newly employed	158,400.00		Related to income
Special incentive funds for technical transformation of small and medium-sized enterprises	45,281.30	23,833.33	Related to assets
One-time job training subsidies of Shangrao City Employment and Entrepreneurship Service Center	55,000.00		Related to income
Rewards related to science and technology innovation supported by provincial policy in 2019	41,000.00		Related to income
Social security subsidies for enterprises in the park provided by the Employment, Entrepreneurship and Social Security Service Center of Shangrao Economic and Technological Development Zone	20,000.00		Related to income
Award funds for industrialization development policy project		5,195,300.00	Related to income
Subsidy for photovoltaic industry supportive policy project for encouraging enterprises to increase production and sales in Hefei		1,848,000.00	Related to income
Authority Financing incentives provided by Shannxi Local Finance Supervision and Administration Bureau		1,000,000.00	Related to income
Other small sums	7,500.00	723,050.00	Related to income
Total	15,362,944.07	16,853,177.60	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLVI) Investment gains

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

(XLVII) Gains from changes in fair value

The source of gains from changes in fair value	2022	2021 (restated)
Held-for-trading financial assets	-20,461.44	-34,615.19
Including: financial assets that are measured at fair value through current profit or loss	-20,461.44	-34,615.19
Total	-20,461.44	-34,615.19

(XLVIII) Credit impairment losses

Item	2022	2021 (restated)
Losses on bad debts of accounts receivable	1,259,883.06	1,633,329.32
Losses on bad debts of other receivables	1,983.40	2,975.10
Total	1,261,866.46	1,636,304.42

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(XLIX) Asset impairment losses

Item	2022	2021 (restated)
Provision for impairment of inventories	962,421.48	15,838,020.96
Total	962,421.48	15,838,020.96

(L) Gains from disposal of assets

Item	2022	2021 (restated)	Amount included in non-recurring profit or loss for the period
Gains from disposal of non-current assets	690,861.59	587,077.11	690,861.59
Total	690,861.59	587,077.11	690,861.59

(LI) Non-operating income

Item	2022	2021 (restated)	Amount included in non-recurring profit or loss for the period
Forfeiture and penalty income	166,976.94	750.00	166,976.94
Gains from liquidated damages	95,370.18	1,986,697.66	95,370.18
Others	284,131.35	508,518.38	284,131.35
Total	546,478.47	2,495,966.04	546,478.47

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LII) Non-operating expenses

Item	2022	2021 (restated)	Amount included in non-recurring profit or loss for the period
Penalty expenses	90,000.00	1,198,660.52	90,000.00
Losses on destroy or scrap of non-current assets		263,818.20	
Others	6,000.00	11,987.77	6,000.00
Total	96,000.00	1,474,466.49	96,000.00

(LIII) Income tax expenses

1. List of income tax expenses

Item	2022	2021 (restated)
Income tax expenses for the current period	886,875.13	3,165,192.71
Deferred income tax expenses	10,669,411.78	20,110,530.23
Total	11,556,286.91	23,275,722.94

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LIII) Income tax expenses (Continued)

2. *Adjustment of accounting profit and income tax expenses*

Item	2022
Total profit	100,788,683.65
Income tax expenses calculated based on the statutory or applicable tax rate	15,118,302.55
Impact of different applicable tax rates to subsidiaries	-282,324.71
Impact of income tax for the period before adjustment	462,832.08
Tax effect of non-taxable income	
Impact of cost, expenses and losses not deductible for tax	475,775.54
Impact of utilization of deductible loss of deferred income tax assets not recognized for the previous period	-1,625,516.47
Tax effect of deductible temporary differences or deductible loss of unrecognized deferred income tax assets in the current period	7,032,982.82
Effect of weighted deduction of research and development expenses	-9,625,764.90
Income tax expenses	11,556,286.91

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

2. Diluted earnings per share

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

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

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	2022	2021 (restated)
Materials, fuel, power costs, etc.	1,884,506,911.07	1,343,740,758.33
Payroll	153,991,149.13	180,437,728.71
Depreciation and amortisation	135,822,238.07	145,106,174.83
Finance expenses	72,047,825.05	69,436,543.22
Transportation expenses	71,371,819.06	66,757,022.70
Repair maintenance expenses	37,614,645.74	34,888,743.23
Agency expenses	5,943,770.39	7,077,822.41
Loss on shutdown	3,370,919.36	10,250,097.91
Total	2,364,669,277.87	1,857,694,891.34

(LVI) Statement of cash flows

1. Cash received relating to other operating activities

Item	2022	2021 (restated)
Recovery of accounts receivable, deposits and others	317,910,089.36	124,218,899.19
Government subsidies and income tax handling fee refunds received	18,186,327.61	47,095,322.50
Interest income received	12,812,874.39	6,146,823.05
Total	348,909,291.36	177,461,044.74

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	2022	2021 (restated)
Payment of accounts payable, deposits and others	288,011,863.87	180,886,581.27
Agency expenses	4,285,416.53	4,572,999.69
Traveling expenses	2,696,893.11	3,130,817.16
Lease and property management fees	1,626,815.37	1,526,265.62
Commission and handling fees	1,477,679.74	611,885.41
Office expenses	550,383.04	693,800.48
Insurance	479,022.13	344,607.35
Advertisement fees	31,369.20	255,196.70
Total	299,159,442.99	192,022,153.68

3. *Cash received relating to other investing activities*

Item	2022	2021 (restated)
Principal and interest repaid by associates	19,363,367.54	4,462,037.93
Total	19,363,367.54	4,462,037.93

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVI) Statement of cash flows (Continued)

4. *Cash received relating to other investing activities*

Item	2022	2021 (restated)
Obtained a loan from Shangrao Binjiang Investment Co., Ltd.	50,000,000.00	
Interest of bill discount		97,008,333.37
Amounts and interests received from related parties		1,300,000.00
Total	50,000,000.00	98,308,333.37

5. *Cash paid relating to other financing activities*

Item	2022	2021 (restated)
Pledged deposit	200,000,000.00	
Payment of principal and interest on finance leases	100,535,940.68	261,833,243.37
Payment of listing intermediary fees	5,192,050.09	4,452,000.00
Repayment of related party loans and interest		5,300,000.00
Interest of bill discount		184,182.64
Total	305,727,990.77	271,769,426.01

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	2022	2021 (restated)
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	89,232,396.74	164,431,614.92
Add: Credit impairment losses	1,261,866.46	1,636,304.42
Provision for assets impairment	962,421.48	15,838,020.96
Depreciation of fixed assets	128,053,932.38	134,167,344.72
Depreciation of oil and gas assets		
Amortisation of right-of-use assets	543,100.08	3,214,064.56
Amortisation of intangible assets	4,331,159.27	4,289,335.92
Amortisation of long-term deferred expenses	1,691,706.18	3,435,429.63
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-690,861.59	-587,077.11
Loss on retirement of fixed assets (“-” denotes gain)		263,818.20
Loss on changes in fair value (“-” denotes gain)	20,461.44	34,615.19
Finance expenses (“-” denotes gain)	81,599,463.89	69,107,769.77
Investment losses (“-” denotes gain)	-3,483,156.02	10,033,127.02
Decrease in deferred income tax assets (“-” denotes increase)	10,669,411.78	20,110,530.23
Increase in deferred income tax liabilities (“-” denotes decrease)		
Decrease in inventories (“-” denotes increase)	-119,217,624.82	-62,865,443.27
Decrease in operating receivables (“-” denotes increase)	-513,511,658.49	-147,136,719.47
Increase in operating payables (“-” denotes decrease)	228,782,016.29	-753,869,078.82
Others		
Net cash flows from operating activities	-89,755,364.93	-537,896,343.13

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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)*

<u>Supplementary information</u>	<u>2022</u>	<u>2021 (restated)</u>
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	408,832,090.42	411,742,786.14
Less: Opening balance of cash	411,742,786.14	393,496,091.98
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-2,910,695.72	18,246,694.16

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVII) Supplementary information on statement of cash flows (Continued)

2. Composition of cash and cash equivalents

Item	31 December 2022	31 December 2021 (restated)
I. Cash	408,832,090.42	411,742,786.14
Including: Cash on hand		
Digital currency readily available for payment		
Bank deposits readily available for payment	408,832,090.42	411,742,786.14
Other monetary funds readily available for payment		
Deposits with the central bank available for payment		
Deposits with banks and other financial institutions		
Loans from banks and other financial institutions		
II. Cash equivalents		
Including: Bond investment due in three months		
III. Closing balance of cash and cash equivalents	408,832,090.42	411,742,786.14
Including: restricted cash and cash equivalents of the Company or subsidiaries within the Group		

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LVIII) Assets with restricted ownerships or right to use

Item	31 December 2022	Reason for such restrictions
Monetary funds	183,652,221.23	Notes and acceptance deposit, pledged time deposit
Notes receivable	398,804,656.65	Pledged notes, endorsed but not matured
Receivables financing	321,987,932.54	Pledged notes
Other non-current assets	200,222,222.22	Pledged time deposit
Total	1,104,667,032.64	

(LIX) Foreign currency items

1. Foreign currency items

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			264,944.48
Including: USD	28,348.92	6.9646	197,438.89
HKD	75,568.78	0.8933	67,505.59

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LX) Government grants

1. *Asset-related government grants*

Type	31 December 2022	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
			2022	2021 (restated)	
Local incentives fund	59,365,619.04	Deferred income	1,550,697.84	1,550,697.84	Other income
IRICO Shangrao project plant subsidy	666,666.64	Deferred income	1,333,333.36		Other income
Construction of a smart plant for solar photovoltaic glass manufacture	2,907,692.31	Deferred income	1,292,307.69		Other income
Equipment upgrade project of wide high-transmissivity and ultra-thin photovoltaic glass 18X	1,032,352.95	Deferred income	267,647.05		Other income
Solar photovoltaic glass and coated tempered glass production line construction	1,040,000.00	Deferred income	200,000.00	3,200,000.00	Other income
Special incentive funds for technical transformation of small and medium-sized enterprises	40,885.37	Deferred income	45,281.30	23,833.33	Other income
Total	65,053,216.31	Deferred income	4,689,267.24	4,774,531.17	Other income

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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		Items recorded in current profit or loss or offsetting relevant costs or losses
		2022	2021 (restated)	
The subsidies per kWh of Hefei photovoltaic power station	5,897,140.00	2,859,754.00	3,037,386.00	Other income
"Selecting the best candidates via open competition mechanism" project funds of Xianyang High-tech Zone	1,960,000.00	1,960,000.00		Other income
Subsidies for industrial fixed assets of Technical Improvement Projects in the category of "Post-Reward and Supplement" from the High-tech Industrial Development Zone Economic and Trade Development Bureau of Xinzhan District of Hefei in the first half of 2020	1,805,100.00	1,805,100.00		Other income
Awards and grants for 2021 financial incremental contribution from the High-tech Industrial Development Zone Economic and Trade Development Bureau of Xinzhan District of Hefei	1,052,000.00	1,052,000.00		Other income
Incentives grants of manufacturing strong province, private economic policy in 2022 from the Economic and Trade Development Bureau of Xinzhan District of Hefei	1,000,000.00	1,000,000.00		Other income
Incentives grants of Specialised, Refined, Differentiated and Innovative champion enterprise in 2022 from the Economic and Trade Development Bureau of Xinzhan District of Hefei	800,000.00	800,000.00		Other income
Subsidy for stabilizing employment	971,596.22	696,685.79	274,910.43	Other income
Reduction of basic medical insurance premium for employees in stages of Yan'an city	218,237.04	218,237.04		Other income

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LX) Government grants (Continued)

2. Income-related government grants (Continued)

Type	Amount	Amount recorded in current profit or loss or offsetting relevant costs or losses		Items recorded in current profit or loss or offsetting relevant costs or losses
		2022	2021 (restated)	
Pre-job skill training subsidies for staffs newly employed	158,400.00	158,400.00		Other income
One-time job training subsidies of Shangrao City Employment and Entrepreneurship Service Center	55,000.00	55,000.00		Other income
Rewards related to science and technology innovation supported by provincial policy in 2019	41,000.00	41,000.00		Other income
Social security subsidies for enterprises in the park provided by the Employment, Entrepreneurship and Social Security Service Center of Shangrao Economic and Technological Development Zone	20,000.00	20,000.00		Other income
Award funds for industrialization development policy project	5,195,300.00		5,195,300.00	Other income
Subsidy for photovoltaic industry supportive policy project for encouraging enterprises to increase production and sales in Hefei	1,848,000.00		1,848,000.00	Other income
Authority Financing incentives provided by Shannxi Local Finance Supervision and Administration Bureau	1,000,000.00		1,000,000.00	Other income
Other small sums	730,550.00	7,500.00	723,050.00	Other income
Total	22,752,323.26	10,673,676.83	12,078,646.43	Other income

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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

(LI) Leases

1. As lessee

Item	2022	2021 (restated)
Interest expenses of lease liabilities	26,395.73	449,714.39

2. As lessor

(1) Operating leases

	2022	2021 (restated)
Revenue from operating leases	7,044,460.28	5,411,463.15

Undiscounted leases receipts to be received after balance sheet date:

Remaining lease period	2022
Within 1 year	362,880.00
1 to 2 years	120,960.00
Total	483,840.00

(LII) Trial sale

Items	2022	2021 (restated)
Operating revenue	230,519,059.04	
Operating costs	186,384,742.32	

VI. CHANGES ON SCOPE OF COMBINATION

None.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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	Registered capital (RMB0'000)	Shareholding ratio (%)		Method for acquisition
					Direct	Indirect	
IRICO (Hefei) Photovoltaic Co., Ltd.*	Hefei, Anhui	Hefei, Anhui	Photovoltaic glass	115,000.00	100.00		Investment in establishment
IRICO Yan'an New Energy Co., Ltd.* (彩虹延安新能源有限公司)	Yan'an, Shaanxi	Yan'an, Shaanxi	Photovoltaic glass	30,000.00	100.00		Investment in establishment
Xianyang IRICO Photovoltaic Glass Co., Ltd.	Xianyang, Shaanxi	Xianyang, Shaanxi	Photovoltaic glass	6,000.00	100.00		Investment in establishment
Jiangxi IRICO Photovoltaic Co., Ltd.	Shangrao, Jiangxi	Shangrao, Jiangxi	Photovoltaic glass	30,000.00	100.00		Investment in establishment

Notes: 1. As of 31 December 2022, none of the subsidiaries issued any debt securities as at the end of the year or at any time during the year (2021: None).

2. The subsidiaries of the Company are all limited liability companies.

2. Aggregated financial information of associates

	31 December 2022/January to December 2022	31 December 2021/January to December 2021 (restated)
Associates:		
Total carrying amount of investments		8,952,949.24
Amounts in aggregate in proportion to the shareholdings		
– Net profit	-629,919.54	-2,778,021.65
– Other comprehensive income		
– Total comprehensive income	-629,919.54	-2,778,021.65

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS

The Company is confronted with various financial risks in its operation: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risk.). The above financial risks and the risk management policies adopted by the Company to minimize such risks are listed as follows:

The overall objective of the Company's risk management is to develop a risk management policy that minimizes risks with undue impact on the Company's competitiveness and resilience.

(I) Credit risk

Credit risk refers to the risk that transaction counterparty fails to perform its obligations under the contract and causes financial losses to the Company.

The Company's credit risk mainly arises from cash at bank and on hand, bills receivable, accounts receivable, receivables financing, other receivables, debt investment, other debt investments, financial guarantee contracts, etc. as well as the investment in debt instruments at fair value through profit or loss and derivative financial assets that are not included in the impairment assessment scope.

The Company's cash at bank and on hand is mainly cash at bank deposited at state-owned banks and other large and medium-sized listed banks with good reputation and a higher credit rating. The Company considers that there is no significant credit risk and will rarely cause significant losses due to default by the banks.

In addition, the Company develops relevant policies to limit the credit risk exposure on bills receivable, accounts receivable, receivables financing, contract assets and other receivables, etc. The Company assesses the credit quality of and sets respective credit periods on its customers by considering their financial position, the availability of guarantee from third parties, their credit record and other factors such as current market conditions. The Company regularly monitors the credit record of the customers. For customers with a poor credit history, the Company will issue written demand to them, or shorten or cancel the credit periods, so as to ensure the overall credit risk of the Company is limited to a controllable extent.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (Continued)

(II) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department conducts centralized control over liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts for cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances. Meanwhile, it continued to monitor whether the Company is in line with the requirements of borrowing agreements, and obtain the undertakings to provide sufficient reserve funds from major financial institutions, so as to meet its short-term and long-term capital needs.

(1) The financial liabilities of the Company are analysed by their maturity date below at their undiscounted contractual cash flows:

Items	31 December 2022			Total
	Within 1 year	2-5 years	Over 5 years	
Short-term borrowings	1,380,396,261.84			1,380,396,261.84
Bills payable	789,306,348.19			789,306,348.19
Accounts payable	705,541,467.50			705,541,467.50
Other payables	86,520,207.50			86,520,207.50
Non-current liabilities due				
within one year	129,286,130.56			129,286,130.56
Other current liabilities	280,489,707.39			280,489,707.39
Long-term borrowings		1,101,791,734.25		1,101,791,734.25
Lease liabilities	608,490.93			608,490.93
Long-term payables		58,088,595.89		58,088,595.89
Total	3,372,148,613.91	1,159,880,330.14		4,532,028,944.05

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (Continued)

(II) Liquidity risk (Continued)

- (1) The financial liabilities of the Company are analysed by their maturity date below at their undiscounted contractual cash flows: (Continued)

Items	Within 1 year	31 December 2021 (restated)		Total
		2-5 years	Over 5 years	
Short-term borrowings	942,809,101.30			942,809,101.30
Bills payable	729,078,281.00			729,078,281.00
Accounts payable	530,695,955.76			530,695,955.76
Other payables	67,381,715.92			67,381,715.92
Non-current liabilities due				
within one year	203,887,815.77			203,887,815.77
Other current liabilities	152,531,886.98			152,531,886.98
Long-term borrowings		561,557,299.65		561,557,299.65
Lease liabilities				
Long-term payables		13,653,568.04		13,653,568.04
Total	2,626,384,756.73	575,210,867.69		3,201,595,624.42

- (2) The repayment periods of bank borrowings and other finance are analyzed as follows:

Total	31 December 2022		31 December 2021 (restated)	
	Bank borrowings	Other finance	Bank borrowings	Other finance
Within 1 year	1,485,796,338.33		1,143,542,721.95	
1-2 years	177,427,583.42			
2-5 years	545,411,956.14	50,000,000.00	472,400,000.00	13,465,592.05
Over 5 years	235,520,000.00			
Total	2,444,155,877.89	50,000,000.00	1,615,942,721.95	13,465,592.05

Note: As of 31 December 2022, the gearing ratio of the Company was 69.87%, current liabilities amounted to RMB3,382,334,400 and current assets amounted to RMB2,706,380,500. From January to December 2022, the Company achieved a net profit attributable to the owners of the parent company of RMB89,232,400. Although the current assets are smaller than the current liabilities, the Company is a heavy asset enterprise. As of 31 December 2022, the Company had monetary funds of RMB592,484,300. Meanwhile, the liquidity of funds is guaranteed for the subsequent A Share Offering of the Company. In addition, benefiting from the recovery of industry demand, the Company further expanded the capacity of the photovoltaic glass business, and the Company's business revenue showed an upward trend. Therefore, the liquidity risk of the Company is controllable.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes exchange rate risk, interest rate risk and other price risk.

1. *Interest rate risk*

Interest rate risk is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market interest rate.

Interest-bearing financial instruments at fixed rates and at variable rates expose the Company to fair value interest risk and cash flow interest rate risk, respectively. The Company determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate instruments. The Company will adopt interest rate swap instruments to hedge interest rate risk when necessary.

As at 31 December 2022, if other variables remain constant and the borrowing rate calculated at floating interest rates increases or decreases by 100 basis points, the Company's net profit will decrease or increase by RMB20,000,000 (31 December 2021: RMB11,078,200). The management believes that 100 basis points reasonably reflect the reasonable range of possible changes in interest rates in the next year.

2. *Exchange rate risk*

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company may consider entering into forward exchange contract or currency swap contract to mitigate the foreign exchange risk. During the period and the previous period, the Company has not entered into any forward exchange contract or currency swap contract.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risk (Continued)

2. Exchange rate risk (Continued)

The exchange rate risk faced by the Company mainly arises from financial assets and financial liabilities denominated in US dollars and Euro. The amount of the financial assets and financial liabilities in foreign currencies converted into RMB is as follows:

Item	31 December 2022			31 December 2021 (restated)		
	US dollars	Other foreign currency	Total	US dollars	Other foreign currency	Total
Monetary funds	197,438.89	67,505.59	264,944.48	1,877,917.55	71,031.47	1,948,949.02
Accounts receivable				4,159,122.86		4,159,122.86

As at 31 December 2022, a 5% increase or decrease in RMB against USD, with all other variables held constant, would have increased or decreased the net profit of the Company by RMB7,403.96 (31 December 2021: RMB305,403.59). The management considers that the 5% reasonably reflected the reasonable range of the possible change in Renminbi against USD for the next year.

3. Other price risk

Other price risk is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price other than exchange rate risk and interest rate risk.

IX. DISCLOSURE OF FAIR VALUE

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the relevant assets or liabilities other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

Levels of the results of fair value measurement are decided by the lowest level of great significance in fair value measurement as a whole.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IX. DISCLOSURE OF FAIR VALUE (Continued)

- (I) Fair value of assets and liabilities measured at fair value as at the end of the period

Items	Level 1 fair value measurement	Fair value at the end of the period		Total
		Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuing fair value measurement				
◆ Held-for-trading financial assets	254,707.15			254,707.15
1. Financial assets at fair value through profit and loss	254,707.15			254,707.15
(1) Investment in equity instruments	254,707.15			254,707.15
◆ Receivables financing			591,856,065.84	591,856,065.84
◆ Investment in other equity instruments	146,455,286.22		95,191,022.25	241,646,308.47
Total assets measured at fair value on a recurring basis	146,709,993.37		687,047,088.09	833,757,081.46

- (II) Basis for determining the market price of items persistently and non-persistently measured at fair value at the first level

The Company's investments in equity instruments which are persistently measured at level 1 fair value at the end of the period are publicly issued shares, and the fair value at the end of the period represents the share price as at 31 December 2022, with fair value adjustment based on the share price at the end of the year. The other investments in equity instruments measured at level 1 fair value are publicly issued shares of IRICO Display Devices Co., Ltd. held by the Company not for short-term trading, and the fair value at the end of the period represents the share price as at 31 December 2022.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IX. DISCLOSURE OF FAIR VALUE (Continued)

- (III) Valuation techniques used and the qualitative and quantitative information of key parameters for items persistently and non-persistently measured at fair value at the Third level
1. Other investments in equity instruments held by the Company which are measured at level 3 fair value represent 7.2953% equity interest in Shaanxi Caihong Electronics Glass Co., Ltd., which is an unlisted company. According to Zhong Tian Hua Zi Bao Zi (2023) No. 2032 issued by Beijing Zhong Tian Hua Asset Appraisal Company Limited, the valuation reference date is 31 December 2022, the estimates are made using the net asset basis method and fair values are recognised based on appraisals.
 2. Receivables financing held by the Company which are measured at level 3 fair value is bill receivable. The intention for holding such bill receivable is for endorsement, its remaining period is short, and the book value is equal to the fair value.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

IX. DISCLOSURE OF FAIR VALUE (Continued)

(IV) Adjustment information and sensitivity analysis of unobservable parameters between the carrying amount at the end of the previous year and the end of the period for items persistently measured at fair value at the third level

1. *Adjustment information of items persistently measured at fair value at the third level*

Item	31 December 2021 (restated)	Transfers into level 3	Transfers out of level 3	Total gains or losses recognized in the period		Purchase, issue, selling and settlement				31 December 2022	For assets held at the end of the Reporting Period, the gains or changes are not realised in the current period of Item profit or loss	
				In profits and losses	In other comprehensive income	Purchase	Issue	Selling	Settlement			
◆ Receivables financing	354,722,215.86					1,555,424,590.76		1,318,290,740.78			591,856,065.84	
◆ Other investments in equity instruments	78,480,597.18				16,710,425.07						95,191,022.25	
Total	433,202,813.04				16,710,425.07	1,555,424,590.76		1,318,290,740.78			687,047,088.09	

Including: Profit and loss

related to financial
assets

Profit and loss

related to
non-financial
assets

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES

(I) Information on the parent company of the Company

Name of the parent company	Place of registration	Nature of Business	Registered Capital (RMB0'000)	Percentage of shareholding in the Company held by the parent company (%)	Percentage of voting rights in the Company held by the parent company (%)
IRICO Group Corporation Limited* (彩虹集團有限公司)	Beijing	Production and sales of electronic components	247,129.19	34.44	34.44

Notes:

IRICO Group Corporation Limited directly holds 30.15% of the shares of the Company; Rui Bou Electronics (HK) Limited is a wholly-owned subsidiary of IRICO Group Corporation Limited, holding 4.29% of the shares of the Company. IRICO Group Corporation Limited directly and indirectly holds 34.44% of the shares of the Company.

Xianyang Zhongdian IRICO Group Holdings Ltd. is directly held as to 72.08% by China Electronics and Information Industry Group Co., Ltd.* and as to 27.92% by IRICO Group Corporation Limited, holding 14.30% of the shares of the Company.

CEC Capital Investment Holdings Company Limited* (中電金投控股有限公司), a wholly-owned subsidiary of China Electronics and Information Industry Group Co., Ltd.*, holds 26.17% shares of the Company.

China Electronics and Information Industry Group Co., Ltd.* (place of registration: Beijing, the PRC), through IRICO Group Corporation Limited, Xianyang Zhongdian IRICO Group Holdings Ltd., Rui Bou Electronics (HK) Limited CEC Capital Investment Holdings Company Limited* (中電金投控股有限公司), holds 74.91% of the shares of the Company in aggregate, and is the ultimate controlling party of the Company.

(II) Information on the subsidiaries of the Company

Please refer to Note "VII. Interest in other entities" for details of the information on the subsidiaries of the Company.

(III) Information on associates and joint ventures of the Company

Please refer to Note "V. (XI) and VII. Interest in other entities" for details of the joint ventures or associates of the Company.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(IV) Information on other related parties

Name of other related parties	Relationship between other related party and the Company
Xianyang Zhongdian IRICO Group Holdings Ltd.	Shareholder of the Company
IRICO Group Corporation Limited	Shareholder of the Company
Jiangsu IRICO Yongneng New Energy Company Limited	Same parent company
Xianyang IRICO Green Energy Co., Ltd.	Same parent company
Hefei IRICO Epilight Industry Co., Ltd.	Under the same ultimate control party
Anhui Hongchen New Materials Technology Co., Ltd.	Under the same ultimate control party
China Electronics Financial Co., Ltd.	Under the same ultimate control party
China Electronics System Engineering No. 3 Construction Co., Ltd.	Under the same ultimate control party
China Elec-Trans Int'l Service Co., Ltd.	Under the same ultimate control party
Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	Under the same ultimate control party
Xianyang IRICO Electronic Accessories Co., Ltd.	Under the same ultimate control party
CEC Caihong Intelligent Lighting Technology Co., Ltd.* (中電彩虹智慧照明科技有限公司)	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
Xi'an IRICO Information Co., Ltd.	Under the same ultimate control party
Xianyang China Electronics Western Zhigu Industrial Co., Ltd.* (咸陽中電西部智谷實業有限公司)	Under the same ultimate control party
China Electronics Commercial Financial Leasing Co., Ltd.	Associated enterprise of ultimate controlling party

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

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
Xianyang Cailian Packaging Materials Co., Ltd.	Investee company of the Company's controlling shareholder
Hanzhong IRICO Jiarunze Mining Co., Ltd	Other related relationship
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Other related relationship
IRICO Labour Service Company	Other related relationship
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	Other related relationship
Wuhan Lidao Technology Co., Ltd* (武漢麗島科技有限公司)	Other related relationship
Yangzhou Hongyun Electronic Materials Co., Ltd.* (揚州虹運電子材料有限公司)	Under the same ultimate controlling party during the Reporting Period
Hefei Xincheng State-owned Assets Management Co., Ltd.* (合肥鑫城國有資產經營有限公司)	A shareholder which held more than 5% of the shares of the issuer during the Reporting Period

Notes: 1. Hefei Xincheng State-owned Assets Management Co., Ltd.* (合肥鑫城國有資產經營有限公司) was a shareholder which held more than 5% of the shares of the issuer during the Reporting Period, which ceased to be a related party of the Company upon disposal of partial equity interest in the Company in August 2020.

2. Yangzhou Hongyun Electronic Materials Co., Ltd.* (揚州虹運電子材料有限公司) was once an enterprise under the same ultimate controlling party as the Company. Its equity interest was transferred in September 2022 and then ceased to be a related party of the Company.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions

1. Related party transactions for purchase and sales of goods/receipt and provision of services

Purchase of goods/receipt of services

Name of related parties	Subject	2022	2021 (restated)
Xianyang Cailian Packaging Materials Co., Ltd.	Purchase of goods	29,798,985.98	34,586,765.07
Anhui Hongchen New Materials Technology Co., Ltd.	Purchase of goods	28,551,274.34	14,814,955.70
IRICO Group Corporation Limited	Receipt of services/ Purchase of equipment	25,236,814.11	1,884,070.78
Hefei IRICO Epilight Industry Co., Ltd.	Purchase of goods	17,834,468.95	18,869,302.00
Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	Purchase of goods/ Receipt of services	15,253,152.45	11,169,199.20
Wuhan Lidao Technology Co., Ltd* (武漢麗島科技有限公司)	Receipt of services	11,602,439.08	3,957,798.17
China Elec-Trans Int'l Service Co., Ltd.	Transportation expenses	5,289,132.63	9,945,173.57
Xianyang IRICO Green Energy Co., Ltd.	Purchase of goods/ Receipt of services	4,301,179.83	1,003,962.26
Hanzhong IRICO Jiarunze Mining Co., Ltd	Purchase of goods	1,178,846.04	11,346,935.23
CEC Jiutian Intelligent Technology Co., Ltd.* (中電九天智能科技有限公司)	Purchase of equipment	955,752.21	
Nanjing Zhongdian Panda Property Management Co., Ltd.	Receipt of services	475,471.68	447,295.44
CEC Caihong Intelligent Lighting Technology Co., Ltd.* (中電彩虹智慧照明科技有限公司)	Receipt of services	139,823.00	
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	Receipt of services	83,485.63	118,454.49

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

1. Related party transactions for purchase and sales of goods/receipt and provision of services (Continued)

Purchase of goods/receipt of services (Continued)

Name of related parties	Subject	2022	2021 (restated)
Xianyang China Electronics Western Zhigu Industrial Co., Ltd.* (咸陽中電西部智谷實業有限公司)	Utilities	43,419.99	
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Purchase of goods		50,769,265.55
Zhongdian Panda Trade Development Limited Company	Purchase of goods		10,566,748.84
Hefei Xincheng State-owned Assets Management Co., Ltd.* (合肥鑫城國有資產經營有限公司)	Receipt of services		381,398.00
Yangzhou Hongyun Electronic Materials Co., Ltd.* (揚州虹運電子材料有限公司)	Purchase of goods		20,957.52
Hefei Epilight Technology Co., Ltd	Purchase of goods		13,805.31

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

1. Related party transactions for purchase and sales of goods/receipt and provision of services (Continued)

Sale of goods/provision of services

Name of related parties	Subject	2022	2021 (restated)
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹合肥液晶玻璃有限公司)	Sale of goods	1,006,455.32	782,694.01
Hefei IRICO Epilight Industry Co., Ltd.	Sale of goods	904,283.19	1,107,679.03
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Sale of goods	52,526.59	
Jiangsu IRICO Yongneng New Energy Company Limited	Sale of goods		24,319,654.90
IRICO Group Corporation Limited	Sale of goods		44,247.79

2. Leasing with related parties

The Company as the lessor:

Name of lessee	Type of assets under lease	2022	2021 (restated)
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Plants	6,535,864.98	5,067,693.51
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Plants	345,600.00	336,430.19
Wuhan Lidao Technology Co., Ltd* (武漢麗島科技有限公司)	Premises	19,727.34	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

2. Leasing with related parties (Continued)

The Company as the lessee:

Name of lessor	Type of assets under	2022					2021 (restated)				
		Simplified short-term lease and low-value assets expense	Variable lease payments not included in lease liabilities	Rental paid	Interest expenses on lease liability assumed	Increase of right of use assets	Simplified short-term lease and low-value assets lease expense	Variable lease payments not included in lease liabilities	Rental paid	Interest expenses on lease liability assumed	Increase of right of use assets
Xianyang Zhongdian IRICO Group Holdings Ltd.	Office	1,786,949.01						3,063,341.16	398,119.88		
Xianyang China Electronics Western Zhigu Industrial Co., Ltd.* (咸陽中電西部智谷實業有限公司)	Office			582,095.20	26,395.73	1,086,200.17		582,095.20	51,594.51	1,086,200.17	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

3. Guarantee with related parties

The Company as a guaranteed party:

Guarantor	Amount of guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd.	200,000,000.00	2020.6.23	2024.6.22	No
IRICO Group Corporation Limited	150,000,000.00	2022.4.29	2026.3.20	No
Xianyang Zhongdian IRICO Group Holdings Ltd.	150,000,000.00	2022.4.25	2026.4.24	No
IRICO Group Corporation Limited	100,000,000.00	2021.6.21	2022.6.22	Yes
Xianyang Zhongdian IRICO Group Holdings Ltd.	60,000,000.00	2022.3.11	2026.3.31	No

4. Borrowings from or lending to related parties

Related Party	Loan balance in the beginning of the period	Amount increased during the current period	Amount repaid during the current period	Loan balance in the end of the period
Lending				
Hanzhong IRICO Jiarunze Mining Co., Ltd.	19,110,000.00		19,110,000.00	

Note: Hanzhong IRICO Jiarunze Mining Co., Ltd. borrowed RMB19.11 million at the beginning of the year and was fully repaid by China IRICO Electronics Import & Export Co., Ltd. on 25 July 2022. China IRICO Electronics Import & Export Co., Ltd. paid interest of RMB253,400 to the Company in 2022.

5. Remuneration of key management personnel

Item	2022	2021 (restated)
Remuneration of key management personnel	5,146,471.11	4,244,342.08

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

5. Remuneration of key management personnel (Continued)

The key management personnel is 15 (including senior management, directors, supervisors and etc.) for the current period, among who, 13 are remunerated in the Company.

2022

Unit: Yuan

Name	Position	Fees	Salary and allowance	Performance bonus	Pension insurance	Other	Total
Tong Xiaofei	Chairman, Executive Director, General Manager		320,780.00	509,583.00	36,787.20	53,088.19	920,238.39
Jiang Lei (Note 1)	Executive Director						
Ni Huadong	Non-Executive Director, Deputy General Manager, Company Secretary		296,060.00	276,156.00	37,689.60	42,749.52	652,655.12
Huang Weihong	Non-Executive Director, Chief Financial Officer, Board Secretary		245,480.00	381,188.00	37,689.60	42,749.52	707,107.12
Wu Xiaoguang (Note 2)	Independent Non-Executive Director	40,956.00					40,956.00
Su Kun (Note 3)	Independent Non-Executive Director	59,044.00					59,044.00
Li Yong	Independent Non-Executive Director	100,000.00					100,000.00
Hao Meiping	Independent Non-Executive Director	100,000.00					100,000.00
Chen Xiaoning (Note 1)	Shareholder Supervisor, Chairman of the Supervisory Committee						
Zhao Lefei	Employee Supervisor		244,880.00	288,240.00	37,689.60	42,749.52	613,559.12
Zhang Li	Employee Supervisor		162,426.00	149,010.00	37,689.60	42,749.52	391,875.12
Jiang A'he	Independent Supervisor	80,000.00					80,000.00
Huang Zhen	Independent Supervisor	80,000.00					80,000.00
Ma Zhibin	Deputy General Manager		244,880.00	366,419.00	37,689.60	42,749.52	691,738.12
Wu Wenchao	Deputy General Manager		247,280.00	381,579.00	37,689.60	42,749.52	709,298.12

Notes:

- Mr. Jiang Lei and Mr. Chen Xiaoning, key management personnel, do not receive remuneration in the Company. No other directors or supervisors waived or agreed to waive any emoluments. The Company does not pay directors any amount as an incentive to join the Company or as compensation for loss of office.
- Ms. Wu Xiaoguang has ceased to serve as an independent non-executive Director of the Company since 28 April 2022.
- Mr. Su Kun has served as an independent non-executive Director of the Company since 28 April 2022.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

5. Remuneration of key management personnel (Continued)

2021 (restated)

Unit: Yuan

Name	Position	Fees	Salary and allowance	Performance bonus	Pension insurance	Other	Total
Si Yuncong	Chairman, Executive Director						
Tong Xiaofei	Chairman, Executive Director, General Manager		333,097.00	300,000.00	34,621.75	52,033.22	719,751.97
Jiang Lei	Executive Director						
Fan Laiying	Non-Executive Director						
Ni Huadong	Non-Executive Director, Deputy General Manager, Company Secretary		318,404.00	138,952.00	38,324.16	72,500.63	568,180.79
Huang Weihong	Non-Executive Director, Chief Financial Officer, Board Secretary		253,292.00	302,407.00	34,865.28	39,621.92	630,186.20
Feng Bing	Independent Non-Executive Director	96,782.00					96,782.00
Wang Jialu	Independent Non-Executive Director	96,782.00					96,782.00
Wang Zhicheng	Independent Non-Executive Director	96,782.00					96,782.00
Wu Xiaoguang	Independent Non-Executive Director, Independent Supervisor	80,643.00					80,643.00
Li Yong	Independent Non-Executive Director	3,218.00					3,218.00
Hao Meiping	Independent Non-Executive Director	3,218.00					3,218.00
Chen Xiaoning	Shareholder Supervisor, Chairman of the Supervisory Committee						
Zhao Lefei	Employee Supervisor		253,240.00	189,509.00	34,865.28	39,621.92	517,236.20
Wu Mingli	Employee Supervisor		105,138.32	100,063.00	31,959.84	36,323.76	273,484.92
Zhang Li	Employee Supervisor		14,493.00		2,905.44	3,302.16	20,700.60
Sun Haiying	Independent Supervisor	77,425.00					77,425.00
Jiang A'he	Independent Supervisor	2,575.00					2,575.00
Huang Zhen	Independent Supervisor	2,575.00					2,575.00
Ma Zhibin	Deputy General Manager		253,061.00	219,383.00	34,865.28	39,621.92	546,931.20
Wu Wenchao	Deputy General Manager		253,701.00	179,682.00	34,865.28	39,621.92	507,870.20

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

5. Remuneration of key management personnel (Continued)

Remuneration of the top five highest paid individuals:

The five individuals whose remuneration were the highest in the Company for 2022 include 0 director (2021: 0 director). The aggregate of the remuneration in respect of the other five (2021: five) individuals during the year are as follows:

Unit: RMB0' 000

Item	2022	2021 (restated)
Wages and subsidies	368.10	298.23
Performance bonus		
Pension scheme contributions		
Others		
Total	368.10	298.23

Remuneration Bands	Number	
	2022	2021 (restated)
HK\$0-HK\$1,000,000.00	5	5
Over HK\$1,000,000.00	0	0

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

6. *Other related party transactions*

(1) Licensing of trademarks

The Company and IRICO Group entered into the Trademark License Contract between IRICO Group Corporation Limited and IRICO Group New Energy Company Limited, pursuant to which, IRICO Group has granted the right to use a total of 9 trademarks registered with the Trademark Office of China National Intellectual Property Administration, namely “992031”, “925645”, “992157”, “1028194”, “1080189”, “40566212”, “40558599”, “40551476” and “40565399”, free of charge to the Company and its subsidiaries for a term commencing from 1 January 2018 to 31 December 2028. Pursuant to the agreement between the Company and IRICO Group, IRICO Group may license the above trademarks to third parties not engaged in the business of photovoltaic glass, and IRICO Group shall not continue to use or license the licensed trademarks to third parties in the field of photovoltaic glass. Within 3 months before the expiry of the above agreement, the Company shall apply for renewal in writing, and the agreement shall be automatically extended for another 10 years.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(V) Related party transactions (Continued)

6. Other related party transactions (Continued)

(2) Deposit and loan with China Electronics Financial Co., Ltd.

Related party	Subject	31 December 2022/2022.1-12
China Electronics Financial Co., Ltd.	Bank deposit	310,953.17
China Electronics Financial Co., Ltd.	Receipts from interest	145,244.35
China Electronics Financial Co., Ltd.	Payment of interest	5,180,833.34

(3) Equity transfer

The Board of the Company announced on 29 March 2022 that the Company will transfer the 39.00% equity interest in Hanzhong Jiarunze to China IRICO Electronics Import & Export Co., Ltd. at the consideration of RMB9,149,200. The proceeds from the equity transfer were recognized as RMB873,400.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VI) Receivables from and payables to related parties

1. Receivables from related parties

Item	Related Party	31 December 2022		31 December 2021 (restated)	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Monetary funds					
	China Electronics Financial Co., Ltd.	310,953.17		144,606,239.35	
Accounts receivable					
	Hefei IRICO Epilight Industry Co., Ltd.	8,936,442.29			
	IRICO (Hefei) LCD Glass Co., Ltd.	57,697.03			
	Wuhan Lidao Technology Co., Ltd* (武漢麗島科技有限公司)	4,470.81			
	Jiangsu IRICO Yongneng New Energy Company Limited			8,198,032.95	
	IRICO Group Corporation Limited			2,500.00	
Bills receivable					
	Jiangsu IRICO Yongneng New Energy Company Limited			8,820,000.00	
Prepayments					
	IRICO Labour Service Company	56,710.54		56,710.54	
	Hanzhong IRICO Jiarunze Mining Co., Ltd			2,580,443.47	
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.			697,887.00	
Other receivables					
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	15,750.00		15,750.00	
Long-term receivables					
	Hanzhong IRICO Jiarunze Mining Co., Ltd			19,110,000.00	
Other non-current assets					
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	19,700,000.00			

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VI) Receivables from and payables to related parties (Continued)

2. Payables to related parties

Item	Related party	31 December 2021	
		31 December 2022	(restated)
Short-term borrowings	China Electronics Financial Co., Ltd.		250,313,958.33
Accounts payable	IRICO Group Corporation Limited	28,591,825.19	103,531,999.07
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	9,456,986.95	1,145,771.07
	Anhui Hongchen New Materials Technology Co., Ltd.	9,186,640.00	1,408,302.65
	Xianyang Cailian Packaging Materials Co., Ltd.	6,599,818.28	11,353,535.99
	China Elec-Trans Int'l Service Co., Ltd.	4,202,426.33	2,987,542.76
	Wuhan Lidao Technology Co., Ltd* (武漢麗島科技有限公司)	1,856,864.51	
	Zhongdian Panda Trade Development Limited Company	1,466,022.34	1,466,022.34
	Xianyang IRICO Electronic Accessories Co., Ltd.	827,705.60	827,705.60
	CEC Jiutian Intelligent Technology Co., Ltd.* (中電九天智能科技有限公司)	648,000.00	
	Xianyang IRICO Green Energy Co., Ltd.	84,905.66	150,000.00
	Nanjing Zhongdian Panda Property Management Co., Ltd.	79,245.28	
	Hanzhong IRICO Jiarunze Mining Co., Ltd	73,201.40	39,835.38
	Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	18,192.33	33,853.57
	Hefei IRICO Epilight Industry Co., Ltd.		2,175,260.14
	Xianyang CEC Western Zhigu Industrial Co., Ltd.		18,777.26
	China Electronics System Engineering No. 3 Construction Co., Ltd.		5,000.00

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VI) Receivables from and payables to related parties (Continued)

2. Payables to related parties (Continued)

Item	Related party	31 December 2021	
		31 December 2022	(restated)
Bills payable			
	Xianyang Cailian Packaging Materials Co., Ltd.	7,804,455.18	3,694,385.00
	Anhui Hongchen New Materials Technology Co., Ltd.	7,300,000.00	2,028,813.89
	Hefei IRICO Epilight Industry Co., Ltd.	6,332,199.60	3,176,409.83
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	1,310,000.00	3,604,000.00
	IRICO Group Corporation Limited	300,000.00	396,000.00
	Nanjing Zhongdian Panda Property Management Co., Ltd.	210,000.00	63,374.79
	Hanzhong IRICO Jiarunze Mining Co., Ltd	112,402.92	431,260.00
	CEC Caihong Intelligent Lighting Technology Co., Ltd.* (中電彩虹智慧照明科技有限公司)	100,000.00	
	IRICO (Hefei) LCD Glass Co., Ltd.		44,740,000.00
	Zhongdian Panda Trade Development Limited Company		2,587,592.70
	China Electronics System Engineering No. 3 Construction Co., Ltd.		889,974.27
Other payables			
	Xi' an IRICO Information Co., Ltd.	1,259,314.14	1,259,314.14
	China Elec-Trans Int'l Service Co., Ltd.	200,000.00	200,000.00
	China Electronics System Engineering No. 3 Construction Co., Ltd.	51,310.00	51,310.00
	Shaanxi Rainbow Industrial Intelligent Technology Co., Ltd.	43,000.00	15,000.00
	Hefei IRICO Epilight Industry Co., Ltd.	30,000.00	30,000.00
	Wuhan Lidao Technology Co., Ltd* (武漢麗島科技有限公司)	20,000.00	
	Xianyang Cailian Packaging Materials Co., Ltd.	10,000.00	10,000.00
	Nanjing Zhongdian Panda Property Management Co., Ltd.	10,000.00	10,000.00
	Xianyang Zhongdian IRICO Group Holdings Ltd.		3,063,341.16
	Xianyang IRICO Green Energy Co., Ltd.		2,246,500.00

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(VII) Centralized Fund Management

1. Funds transferred by the Company to the Group

Funds deposited directly into Finance Company by the Company which are not transferred to the accounts of the Group's parent company

Item	31 December 2022		31 December 2021 (restated)	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Monetary funds	310,953.17		144,606,239.35	
Total	310,953.17		144,606,239.35	

Including: Cash withdrawal restricted due to centralized fund management

2. Funds borrowed by the Company from the parent company or member companies of the Group

Item	31 December 2022	31 December 2021 (restated)
	Short-term borrowings	
Other payables	1,259,314.14	3,505,814.14
Total	1,259,314.14	253,819,772.47

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES

(I) Important commitments

1. *Important commitments*

Unit: RMB0'000

Project	Contractual investment	Investment recognized	Investment not recognized
Hefei Photovoltaic Glass Project	203,157.59	203,157.59	0.00
Xianyang Photovoltaic Glass Project	19,715.00	5,557.49	14,157.51
Jiangxi Shangrao Photovoltaic Glass Project	303,289.00	40,602.83	262,686.17
Total	526,161.59	249,317.91	276,843.68

(II) Contingencies

The Group had no contingencies that need to be disclosed.

XII. POST BALANCE SHEET EVENTS

Pursuant to the profit distribution plan for the year 2022 approved at the Board meeting of the Company held on 29 March 2023, the Company will not distribute any dividend for the year 2022.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XIII. CAPITAL MANAGEMENT

	31 December 2022	31 December 2021 (restated)
Total liability	4,456,277,635.26	3,209,434,162.95
Less: cash and cash equivalents	408,832,090.42	411,742,786.14
Adjusted net liability	4,047,445,544.84	2,797,691,376.81
Owners' equity	1,921,966,497.30	1,910,830,479.13
Adjusted capital	1,921,966,497.30	1,910,830,479.13
Adjusted liability/capital ratio	2.11	1.46

XIV. OTHER SIGNIFICANT EVENTS

(I) A Share Offering of the Company

On 2 November 2021, the Board considered and approved the resolutions in relation to the A Share IPO and relevant authorization matters. The Company proposed to apply for the initial public offering of Renminbi ordinary shares (A Shares) and listing on the ChiNext Board of the Shenzhen Stock Exchange to issue not more than 58,780,000 A Shares with a nominal value of RMB1.00 each. The aforesaid matters are subject to the consideration and approval at the EGM, the H shareholders' class meeting and the domestic shareholders' class meeting.

On 24 November 2021, the SASAC of the State Council issued the Reply on Matters Related to the Public Issuance of A Shares by IRICO Group New Energy Company Limited (Guo Zi Chan Quan [2021] No. 582).

On 15 December 2021, the 2021 second extraordinary general meeting, the 2021 first domestic shareholders' class meeting and the 2021 first H shareholders' class meeting considered and approved the resolutions relating to the A Share IPO and relevant authorization matters.

On 28 December 2021, the Shenzhen Stock Exchange accepted the application for the proposed issuance of A shares of the Company, and issued the "Letter of Review and Enquiry Regarding the Application Documents for the Initial Public Offering and Listing on the ChiNext Market of IRICO Group New Energy Company Limited" (Shen He Han [2022] No. 010125) on 24 January 2022.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (Continued)

(I) A Share Offering of the Company (Continued)

On 29 May 2022, the Shenzhen Stock Exchange issued the “Second Round of Letter of Review and Enquiry Regarding the Application Documents for the Initial Public Offering and Listing on the ChiNext Market of IRICO Group New Energy Company Limited” (Shen He Han [2022] No. 010462).

On 17 July 2022, the Shenzhen Stock Exchange issued the “Letter of Implementation of Review Center Opinions Regarding the Application for the Initial Public Offering and Listing on the ChiNext Market of IRICO Group New Energy Company Limited” (Review Letter [2022] No. 010647).

On 25 August 2022, the 56th review meeting of the Listing Committee for the ChiNext Market of the Shenzhen Stock Exchange (the “Listing Committee”) in 2022 was convened. According to the review results of the meeting, the application for the A Share Offering has been reviewed and approved by the Listing Committee. As of the date of this report, the Shenzhen Stock Exchange is in the process of submitting its registration to the CSRC.

(II) Segment information

Due to the highly integrated business and unified internal organizational structure, in terms of technology and marketing strategy, the management of the Company does not separately manage operating activities and there are no reportable segments.

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XV. SUPPLEMENTAL INFORMATION

(I) Breakdown of non-recurring profit or loss for the current period

Item	Amount	Note
Profit/loss on disposal of non-current assets	690,861.59	
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	15,362,944.07	
Funds occupation fee accounted for in the profit or loss of the current period charged to non-financial enterprises	253,367.54	
Investment gains from disposal of long-term equity investment	873,431.16	
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	56,382.49	
Other non-operating income and expenses other than the above	450,478.47	
Other profit or loss items falling within the meaning of non-recurring profit or loss	-8,835,092.23	
Subtotal	8,852,373.09	
Effect of income tax	2,730,462.36	
Effect of minority interests (After tax)		
Total	6,121,910.73	

Notes to the Financial Statements for 2022 (Continued)

(All amounts in RMB Yuan unless otherwise stated)

XV. SUPPLEMENTAL INFORMATION (Continued)

(I) Breakdown of non-recurring profit or loss for the current period (Continued)

Other explanation for the non-recurring profit or loss:

Item	Amount	Reason
Refund of personal income tax service fee	12,650.78	
Recognition of deferred tax assets	-8,847,743.01	Recognition of deferred tax assets for losses not made up by Hefei Photovoltaic and Yan'an New Energy
Total	-8,835,092.23	

(II) Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	4.66	0.5061	0.5061
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss items	4.34	0.4714	0.4714

IRICO GROUP NEW ENERGY COMPANY LIMITED
(Stamp)
On 29 March 2023

Five-Year Financial Summary

Unit: RMB0'000

Item	2022/ 2022.12.31	2021/ 2021.12.31 (Restated)	2020/ 2020.12.31 (Restated)	2019/ 2019.12.31 (Restated)	2018/ 2018.12.31 (Restated)
Operating revenue	247,028	206,706	262,585	224,511	233,192
Total profit (total loss is represented by "-")	10,079	18,771	15,874	7,616	8,696
Income tax expense	1,156	2,328	-3,218	207	17
Net profit (net loss is represented by "-")	8,923	16,443	19,092	7,409	8,679
Including: Net profit attributable to the owners of the parent company	8,923	16,443	20,897	9,314	8,130
Minority interests			-1,804	-1,906	549
Total assets	637,824	512,026	527,545	529,964	506,386
Total liabilities	445,628	320,943	353,986	500,167	484,130
Owners' equity	192,197	191,083	173,559	29,797	22,256
Including: Equity attributable to owners of the parent company	192,197	191,083	173,559	19,688	10,202
Minority interests			-	10,109	12,054
Earnings per share (RMB)	0.5061	1.2346	1.5690	0.6993	0.6104

Executive Directors

Tong Xiaofei *Chairman*
Jiang Lei

Non-executive Director

Ni Huadong
Huang Weihong

Independent Non-executive Directors

Wu Xiaoguang Resigned on 28 April 2022
Su Kun Appointed on 28 April 2022
Li Yong
Hao Meiping

Audit Committee

Wu Xiaoguang Resigned on 28 April 2022
Su Kun Appointed on 28 April 2022
Li Yong
Hao Meiping

Chief Financial Officer

Huang Weihong

Secretary to the Board

Huang Weihong

Company Secretary

Ni Huadong

Authorized Representatives

Tong Xiaofei
Ni Huadong
Huang Weihong

Corporate Information (Continued)

Legal address in the PRC

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

Place of business in Hong Kong

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Company website

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Legal advisers

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

Auditor

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