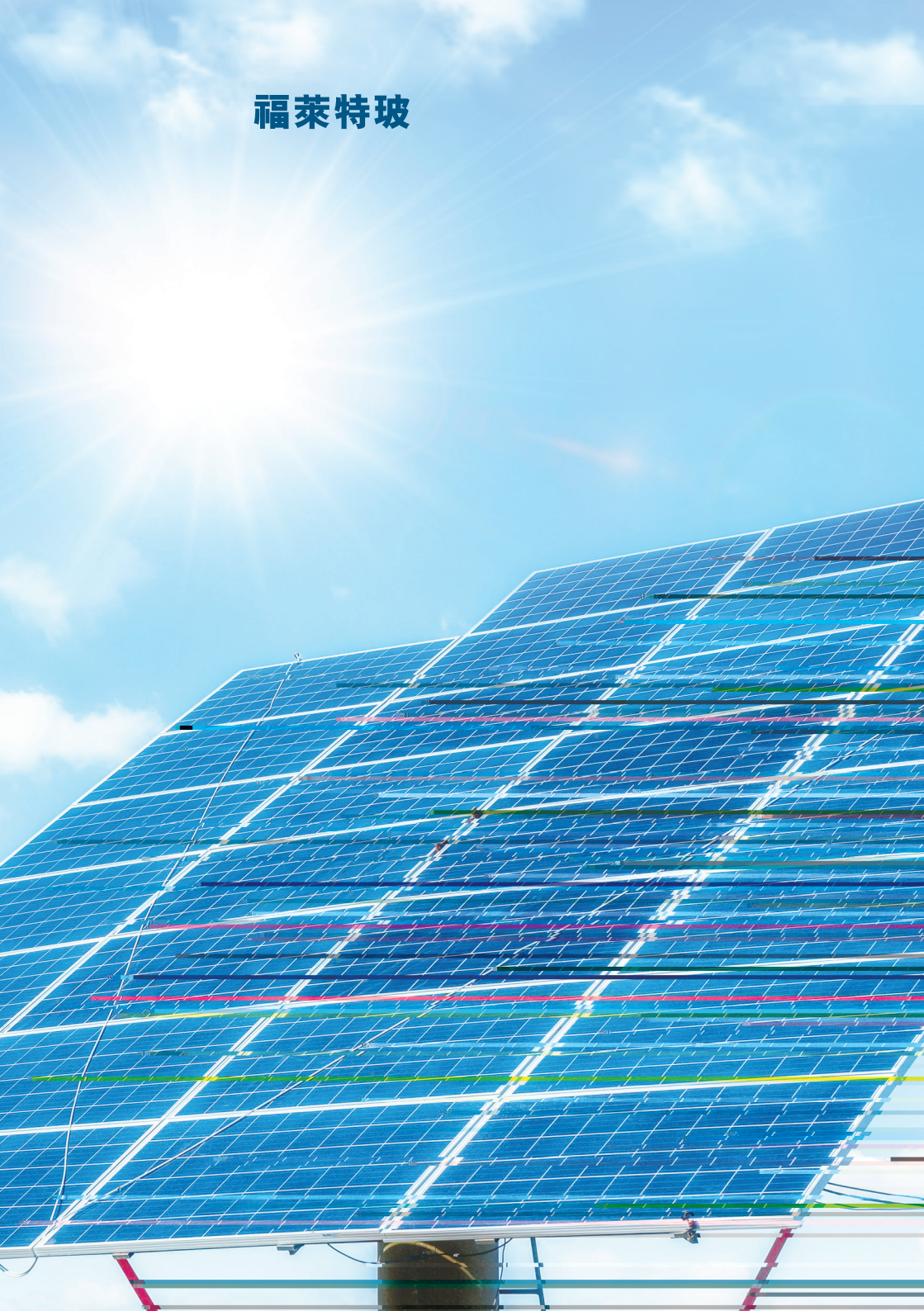
福萊特玻



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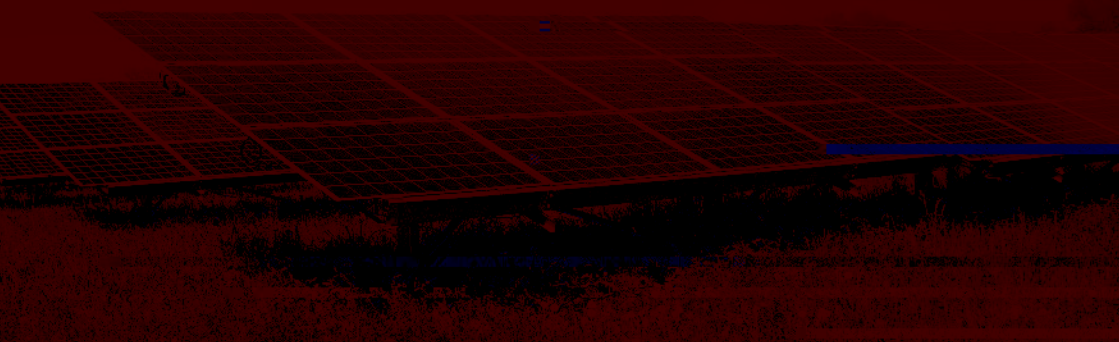

Corporate Information

DIRECTORS

Executive directors
Mr. Ruan Hongliang
(Chairman of the Board of Directors)
Ms. Jiang Jinhua
Mr. Wei Yezhong
Mr. Shen Qifu

Independent non-executive directors
Ms. Xu Pan
Ms. Hua Fulan
Ms. Ng Yau Kuen Carmen

SUPERVISORS
Mr. Zheng Wenrong
(Chairman of the Board of Supervisors)
Mr. Shen Fuquan
Mr. Zhu Quanming
Ms. Niu Liping
Ms. Zhang Huizhen

AUDIT COMMITTEE
Ms. Xu Pan *(Chairman)*
Ms. Hua Fulan
Ms. Ng Yau Kuen Carmen

REMUNERATION COMMITTEE
Ms. Xu Pan *(Chairman)*
Mr. Ruan Hongliang
Ms. Hua Fulan

NOMINATION COMMITTEE
Ms. Xu Pan *(Chairman)*
Mr. Ruan Hongliang
Ms. Hua Fulan

STRATEGIC DEVELOPMENT COMMITTEE
Mr. Ruan Hongliang *(Chairman)*
Mr. Wei Yezhong
Ms. Xu Pan

RISK MANAGEMENT COMMITTEE
Mr. Ruan Hongliang *(Chairman)*
Ms. Jiang Jinhua
Ms. Hua Fulan

COMPANY SECRETARY
Ms. Ruan Zeyun

AUTHORISED REPRESENTATIVES
Mr. Ruan Hongliang
Ms. Ruan Zeyun

REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
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CORPORATE WEBSITE
www.flatgroup.com.cn

LEGAL ADVISERS AS TO HONG KONG LAW
Morgan, Lewis & Bockius

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants LLP

PRINCIPAL BANKERS
Bank of China Limited, Jiaxing Branch
China CITIC Bank Corporation Limited, Jiaxing Branch
Industrial and Commercial Bank of China Limited, Jiaxing Branch
Bank of China Limited, Fengyang Branch
Citibank, N.A., Hong Kong Branch
DBS Bank (Hong Kong) Limited

H SHARE REGISTRAR
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

3. Successful bidding for the mining rights

In order to further increase mineral resource reserves and reduce the impact of the price fluctuations in quartz sand raw materials on product costs and financial results of the Company, on 1 August 2022, Anhui Flat Glass, a wholly-owned subsidiary of the Company and Chuzhou Natural Resources and Planning Bureau (滁州市自然資源和規劃局) entered into the mining right assignment contract, pursuant to which, Anhui Flat Glass won the bid for the mining right of the thirteenth new segment of a quartzite mine for glass located at Lingshan-Mujishan Mining Zone, Fengyang County, Anhui Province, from Chuzhou Natural Resources and Planning Bureau through public listing-for-sale at a consideration of RMB3.38 billion.

4. Acquisition of entire equity interest of Sanli Mining and Dahua Oriental Mining

The Company entered into an equity transfer agreement and a supplementary agreement to the equity transfer agreement with Anhui Fengsha Mining Company Limited ("Fengsha Mining") on 27 October 2021 and 13 February 2022 respectively. It is determined that the Company acquired the entire equity interest of Anhui Dahua Oriental Mining Company Limited ("Dahua Oriental Mining") and Anhui Sanli Mining Company Limited ("Sanli Mining") (together "Target Companies") for a total consideration of RMB3,343,947,600.

The Company has completed the corresponding industrial and commercial registration procedures for equity changes in February 2022. Target Companies have become wholly-owned subsidiaries of the Company, which were directly held as to both 100% by the Company. The acquisition of the Target Companies were completed in 2022.

The strategy of the acquisition is mostly based on the long-term benefits. With the increasing customers' orders, the Company's PV glass production capacity has expanded steadily, so the demand of the Company for quartz sand, the main raw material required for PV glass production, has raised significantly. At the same time, with the rapid growth of PV glass industry, high-quality quartz sand with limited origin distribution will become a scarce resource. The supply of high-quality and stable quartz sand is the guarantee for the development of PV glass enterprises.

5. Update on A Share Convertible Bonds issuance

On 16 June 2021, the Company announced the plan to issue A share convertible bonds in the PRC for a total amount of not more than RMB4,000 million ("A Share Convertible Bonds") which are convertible into new A shares of the Company ("A Shares"). CSRC Main Board Issuance Approval Committee (中國證監會主板發行審核委員會) reviewed the application of the Company for the proposed issuance of A share convertible bonds on 30 March 2022. According to the result of the review published on the website of CSRC, the Company's application for the proposed issuance of A share convertible bonds has been approved and written approval from CSRC was received by the Company. Such public issuance of A share convertible bonds amounted to RMB4 billion in terms of par value with a term of six years. The issuance of A share convertible bonds was completed in May 2022. The A share convertible bonds under this issuance were with a nominal value of RMB100 and were issued at par. The subscription funds for the A share convertible bonds under this issuance totaled RMB4,000,000,000.00. After deducting the issuance fee of RMB23,078,799.67, the net funds raised were RMB3,976,921,200.33.

6. Non-public Issuance of A Shares

On 1 June 2022, the Board approved the proposed non-public issuance of A shares which was also approved by shareholders at the 2022 First extraordinary general meeting, the 2022 First A share class meeting and the 2022 first H share class meeting held on 29 July 2022. The relevant materials shall be subject to the consideration and approval from the CSRC. As of the date of this interim report, the non-public issuance of A shares has not been completed.

7. 2021 A share option incentive scheme

On 17 August 2021, the Company announced the plan to implement an A share option incentive scheme ("Scheme").

The principal terms of the Scheme are as follows:

a. Purpose of the Scheme

As incentive or rewards to eligible participants for their contribution to the Company to further improve the corporate governance structure of the Company, establish and enhance the long-term incentive and constraint mechanism of the Company, attract and retain talents, fully mobilize the proactiveness and creativities of the senior and mid-level management and technical personnel of the Company, effectively promote the cohesiveness of the core team and the core competitiveness of the enterprise, effectively align the interests of shareholders, the Company and the core management team, enabling all parties to focus on the long-term development of the Company, and ensure the achievements of the development strategies and operation objectives of the Company.

b. Eligible participants of the Scheme

Participants of the Scheme are the senior and mid-level management and technical personnel of the Company. The Remuneration Committee prepared a list of eligible scope of the participants of the Scheme and the list was reviewed and confirmed by the Supervisory Committee. None of the participants of the Scheme is a Director or Supervisor of the Company.

c. Total number of Shares available for issue under the Scheme and percentage to the issued share capital as at the date this report

The number of share options proposed to be granted under the Scheme is 5,947,858, representing approximately 0.28% of the total issued share capital of 2,146,893,254 Shares of the Company as at the date of this report, among which, the first grant of share options consists of 5,353,072 shares, representing approximately 0.25% of the total issued share capital of 2,146,893,254 shares of the Company as at the date of this report and 90% of the total number of share options under the grant; the reserved share options consist of 594,786 shares, representing approximately 0.03% of the total issued share capital of 2,146,893,254 shares of the Company as at the date of this report and 10% of the total number of share options under the grant.

d. Maximum entitlement of each participant under the Scheme

The total number of shares of the Company to be granted under the Scheme to any one of the above participants during the Validity Period will not exceed 1.00% of the Company's total share capital. The total number of target shares involved in the Scheme during the Validity Period will not exceed 10.00% of the total share capital of the Company when the Scheme was submitted to the Shareholders' general meeting. The Reserved Share Options shall not exceed 20.00% of the total share options available under the Scheme. If the participants voluntarily waive the benefits granted due to personal reasons, the Board shall make corresponding adjustments to the number of shares options granted.

e. The period within which the shares must be taken up under an option

Upon the fulfillment of conditions of the exercise of the share options, the share options are exercisable in five tranches upon expiry of 12 months from 19 November 2021 ("Date of Grant"). The exercise arrangement for the First Grant of Share Options and the Reserved Share Options are as follows:

The exercise arrangement for the First Grant of Share Options:

Exercise Arrangement	Exercise Period	Proportion of exercisable Share Options to the total number of Share Options granted
First Exercise Period	Commencing from the first trading day after the expiry of the 12th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 24th month from the Date of Grant	20%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 36th month from the Date of Grant	20%

Exercise Arrangement	Exercise Period	Proportion of exercisable Share Options to the total number of Share Options granted
Third Exercise Period	Commencing from the first trading day after the expiry of the 36th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 48th month from the Date of Grant	20%
Fourth Exercise Period	Commencing from the first trading day after the expiry of the 48th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 60th month from the Date of Grant	20%
Fifth Exercise Period	Commencing from the first trading day after the expiry of the 60th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 72th month from the Date of Grant	20%

The exercise arrangement for the Reserved Share Options:

Exercise Arrangement	Exercise Period	Proportion of exercisable Share Options to the total number of Share Options granted
First Exercise Period	Commencing from the first trading day after the expiry of the 12th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 24th month from the Date of Grant	20%

Exercise Arrangement	Exercise Period	Proportion of exercisable Share Options to the total number of Share Options granted
Second Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 36th month from the Date of Grant	20%
Third Exercise Period	Commencing from the first trading day after the expiry of the 36th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 48th month from the Date of Grant	20%
Fourth Exercise Period	Commencing from the first trading day after the expiry of the 48th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 60th month from the Date of Grant	20%
Fifth Exercise Period	Commencing from the first trading day after the expiry of the 60th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 72th month from the Date of Grant	20%

f. The minimum period for which an option must be held before it can be exercised

Upon the fulfillment of conditions of the exercise of the Share Options, the Share Options are exercisable in five tranches upon expiry of 12 months from the Date of Grant.

g. The amount payable on application or acceptance of the option and the period within which payments must or may be made

There is no amount payable on application or acceptance of the option and there is no time requirement for which payments must or may be made.

h. The basis of determining the exercise price

The exercise price under the First Grant of Share Options shall not be less than the nominal value of the Shares and in principle the higher of:

(i) the average trading price of the A shares of the Company on the trading day immediately preceding the date of announcement of the Scheme (draft), being RMB44.02 per Share;

(ii) the average trading price of the A shares of the Company for the 120 trading days immediately preceding the date of announcement of the Scheme (draft), being RMB34.90 per Share.

The Exercise Price of the Reserved Share Options shall be adjusted to be identical to the Exercise Price under the First Grant of Share Options, being RMB44.02 per Share.

i. The remaining life of the Scheme

The Validity Period of the Scheme commenced from the Date of Grant of the Share Options, and shall end on the date on which all the share options granted to the participants under the Scheme have been exercised or cancelled, and shall not be longer than 72 months.

j. Accounting policy adopted for the share options

The date of the grant is 19 November 2021. On each balance sheet date within the vesting period, the Company shall recognize the relevant assets costs or current expenses for the services acquired during such period and shall be recognized under "Capital Reserve – Other Capital Reserve" at the fair value of the share options on the Date of Grant based on the best estimate of the number of exercisable share options.

If the exercise conditions are met on the Exercise Date, the share options can be exercised and carried forward to the "Capital Reserve – Other Capital Reserve" recognized on each balance sheet date before the Exercise Date; if all or part of the share options become invalid or are abolished due to failure to exercise, it shall be treated in accordance with accounting standards and related regulations.

As for the accounting treatment after the exercise date, no adjustment shall be made to the confirmed costs and total owner's equity.

In accordance with the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments (企業會計準則第11號－股份支付) and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (企業會計準則第22號－金融工具確認和計量), the Company uses the Black-Scholes model (BS model) as the pricing model, and the Company uses this model to make an estimation on the fair value of the share options granted based on 17 August 2021 (official calculation will be conducted at the time of grant). The specific parameters are selected as follows:

(i) Price of target shares: RMB42.89 per share (closing price on 17 August 2021)

(ii) Validity Period: 1 year, 2 years, 3 years, 4 years and 5 years, respectively (period commencing from Date of Grant and ending on the first date of exercise for each respective period)

(iii) Historic volatility: 14.73%, 17.44%, 18.71%, 17.92% and 16.55% (annualized volatility for the corresponding period of SSE Composite Index)

(iv) Risk-free interest rate: 1.50%, 2.10% and 2.75% (based on one-year, two-year, three-year, three-year and above RMB deposit benchmark interest rate, respectively, of financial institutes developed by the People's Bank of China)

On 26 November 2021, the Company announced the first grant of 5,341,072 shares of A share option incentive scheme to 288 participants at an exercise price of RMB44.02 per share. The details of the First Grant of the 2021 A Share Options are as follows:

a. *Date of grant*

19 November 2021

b. *Number of grant*

5,341,072

c. *Number of participants of grant*

288

d. *Connected person as participants*

Except for Mr. Zhu Yuping (祝宇平), son of Mr. Zhu Quanming (祝全明), a Supervisor of the Company thus a connected person of the Company, none of the participants is a connected person of the Company as defined under Chapter 14A of the Listing Rules. A total of 40,000 share options were granted to Mr. Zhu Yuping under the First Grant of Share Options to the participants.

e. *Exercise price and exercise period*

RMB44.02 per share. In the event of capitalization of capital reserves, bonus issue, dividend distribution, subdivision or consolidation of shares, rights issue, etc. of the Company during the period from the date of the announcement of the Scheme to the completion of share registration of share options by the participants, the exercise price and the total number of underlying shares involved would be adjusted in accordance with the Scheme.

For details of the exercise period of the First Grant of Share Options, please refer to the descriptions above.

f. Closing price of the A shares on the date of immediately before the date of grant

RMB46.55 per share

g. Source of shares

A shares of the Company to be directly issued to the participants by the Company

h. Vesting period

All share options granted to the participants are subject to different vesting periods, and each of them commences on the date on which the registration of the grant of share options is completed. The interval between the Date of Grant and the first exercise date shall not be less than 12 months.

The Participants of the Scheme may exercise share options upon the expiration of the vesting period. The exercise date must be a trading day within the Validity Period of the Scheme, and shall not fall within the period prohibited from exercising rights of share options by the listing rules of the stock exchange where the Company's Shares are listed.

The total outstanding share options as at 1 January 2021 and 31 December 2021 were nil and 5,341,072, respectively. For the date of grant, vesting period, exercise period and exercise price of the relevant outstanding options as at 31 December 2021, please refer to the above paragraphs. During the Reporting Period, there were no options exercised, or lapsed. Board meeting granted 5,341,072 share options to 288 Participants under the first grant. Before completion of registration of the share options on 13 January 2022, 5 Participants gave up where 95,600 share options were cancelled, resulting the adjusted number of participants as 283 with the adjusted first grant of share options as 5,245,472 share options.

The fair value of the 5,245,472 share options granted during the Reporting Period amounted to RMB47.2396 million, measured as at the date of the grant. Such measurement is based on the Black-Scholes option pricing model and the following assumptions: Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest. The fair value of such share options granted is subjective and uncertain as they are subject to the assumptions described above and are limited to the model adopted. For the accounting policies of such share options, please refer to the previous paragraphs.

INDUSTRY REVIEW

Industry half-year review

PV industry faced increasing challenges during development

Domestically, in the first half of 2022, although silicon production capacity was released, there was a robust demand at home and abroad. As a result, silicon prices were at a high level and continued to rise, even hitting a record high, leading to increasing prices across the main industry chain while compromising the demand for installations of domestic centralized power plants to a certain extent. However, the distributed power plants were installed extensively. According to statistics of China Photovoltaic Industry Association, nearly 70% of the new installations in the first half of the year were distributed power plants with relatively low price sensitivity.

Internationally, trade frictions occur from time to time in various countries and regions. For example, the export of modules from China to the United States is subject to Anti-dumping and Anti-countervailing Duties and Section 201 tariffs, while exports from Southeast Asia to the United States are subject to Section 201 tariffs and WRO detention risks. In addition, from 1 April 2022, India imposed a new Basic Customs Duty (BCD) on imports of solar cells and modules, with a tariff rate of 40% for PV modules and 25% for PV cells. Frequent international friction has also had an impact on the global development of the PV industry.

Amidst the volatile industry and international landscape, the Company also reported a high level of various costs in the first half of the year. The cost of energy, such as natural gas, rose significantly due to the escalation of geopolitical tensions such as the Russia-Ukraine conflict; the price of bulk commodities such as fuel oil and soda ash also surged due to inflation and mismatch between supply and demand; additionally, there was a temporary increase in freight costs in April and May this year due to the recurring COVID-19 pandemic in China. Consequently, the Company faced certain cost pressure on raw materials and fuels.

PV industry saw a thriving trend through overcoming challenges

Despite facing challenges under the context at domestic and abroad, the PV industry continued to show unprecedented resilience to brave multiple challenges, with booming installed demand downstream.

According to the statistics of China National Energy Administration and China Photovoltaic Industry Association, as of 30 June 2022, the domestic PV installation capacity was 30.88GW, representing an increase of 137.4% year-on-year, PV module export volume was 78.6GW, representing an increase of 74.3% year-on-year, and the total export amount of PV products (silicon wafers, cells, modules) was approximately US$25.9 billion, representing an increase of 113% year-on-year; and overseas PV installation demand continued to be in high growth. There are two contributing factors: firstly, favorable policies were implemented globally. According to the REPOWER EU Plan announced by the European Commission in May 2022, for example, the 2030 renewable energy target will be raised from 40% to 45%, and a special EU solar strategy will be in place to double the solar PV capacity by 2025 and reach an installed capacity of 600GW by 2030; secondly, due to the impact of energy shortage, the demand for energy independence in Europe is growing, and rising energy prices are driving high electricity tariffs. As a result, the overseas PV market was in full bloom, and the installed demand in EU countries, Brazil, India, etc. also outperformed market expectations. In the first half of 2022, the new installed capacity of Brazil and India reached 3,010MW, representing an increase of 77.51% year-on-year, and 8.36GW, representing an increase of 71.61% year-on-year, respectively.

To satisfy the demand for PV glass from the rapid development of PV installations, the Company commenced the operation of two PV glass furnaces with a daily melting capacity of 1,200 tons/day at its Jiaxing Production Base in the first half of 2022. Meanwhile, the PV glass furnace with a daily melting capacity of 600 tons/day at its Jiaxing production Base was cold repaired in the first half of 2022.

FUTURE PROSPECT

With the release of silicon production capacity in second half of the year, the demand for installed capacity downstream will be further encouraged. As carbon neutrality has become a global consensus and new energy generation is becoming an inevitable pathway and growing trend, the PV industry has entered a mature stage of development and will therefore continue to grow rapidly in the coming years.

To keep abreast of the development of the industry and expand its market share, the Company is expediting the production capacity expansion of PV glass. Up to now, the total production capacity of our PV glass is 15,800 tons/day, and Phase III and Phase IV projects of Anhui production base are still under construction. In addition, the Phase V project of Anhui production base and the Nantong project are pending approval. Upon their approval, the Company will speed up their construction progress.

Furthermore, the Company will consolidate its competitive advantage and leading position through constantly optimization of the product structure of PV glass and further increasing the market share of thin and large-sized glass.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group benefited from the demand growth in the PV glass market and the release of new production capacity, and its operating revenue reached a new high. For the six months ended 30 June 2022, the amounts of operating revenue of the Group were RMB7,304.5 million, which increased by 81.34% as compared to the same period of 2021 of RMB4,028.0 million. On the other hand, the decrease in the average sales price of PV glass and significant increase in the cost of raw materials and energy resulted in a decrease in the Group's net profit. The net profit attributable to shareholders of the parent company for the six months ended 30 June 2022 was RMB1,002.7 million, representing a decrease of 20.48% as compared to the same period of 2021 of RMB1,261.0 million.

Revenue

The following table sets out the breakdown of revenue of the Group by product type and geographical location:

	Six months ended 30 June 2022		Six months ended 30 June 2021	
Product type	**RMB'000**	**(%)**	RMB'000	(%)
PV glass	**6,468,102.10**	**88.55**	3,324,923.20	82.54
Float glass	**154,622.63**	**2.12**	179,987.14	4.47
Household glass	**180,626.50**	**2.47**	178,247.09	4.43
Architectural glass	**319,281.96**	**4.37**	304,212.08	7.55
Mineral products	**161,935.17**	**2.22**	18,668.91	0.46
Other business	**19,922.98**	**0.27**	21,984.07	0.55
Total	**7,304,491.34**	**100.00**	4,028,022.49	100.00

Location	Six months ended 30 June 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Mainland China	**5,896,527.53**	2,739,990.53
Other countries in Asia (exclude China)	**1,165,341.16**	982,573.02
Europe	**101,446.16**	84,796.65
North America	**128,647.29**	212,166.37
Others	**12,529.20**	8,495.92
Total	**7,304,491.34**	4,028,022.49

For the six months ended 30 June 2022, the revenue of sales of the Group amounted to RMB7,304.5 million, increased by 81.34% as compared with the same period of 2021 of RMB4,028.0 million. Among them, the revenue of sales of PV glass amounted to RMB6,468.1 million, increased by 94.54% as compared with the same period of 2021 of RMB3,324.9 million, mainly due to the increase in sales volume resulted from the release of new production capacity of PV glass, which was partially offset by the decrease in average sales price. In terms of sales location, for the six months ended 30 June 2022, the sales revenue in Mainland China amounted to RMB5,896.5 million, increased by 115.20% as compared with the same period of 2021 of RMB2,740.0 million; Overseas sales revenue amounted to RMB1,408.0 million, increased by 9.32% as compared with the same period of 2021 of RMB1,288.0 million. In the first half of 2022, the sales revenue from Mainland China showed a rapid growth as compared with that from overseas regions, mainly due to a significant increase in the demand for PV glass as a result of the substantial increase in the production of PV modules in Chinese Mainland, which was in line with the release areas of the new production capacity of the Company.

Operating costs

The operating costs of the Group for the six months ended 30 June 2022 was RMB5,650.5 million, representing an increase of 151.67% as compared to the operating costs of RMB2,245.2 million for the same period of 2021. The increase was mainly due to the increase in sales volume of PV glass, partial of which was enhanced by significant increase in costs of raw materials and energy.

Gross profit and gross profit margin

The gross profit of the Group for the six months ended 30 June 2022 was RMB1,654.0 million, representing a decrease of 7.22% from RMB1,782.8 million in the same period of last year. The gross profit margin of the Group for the six months ended 30 June 2022 was 22.64%, representing a decrease of 21.62 percentage points from the gross profit margin of 44.26% in the same period of last year. The decrease in gross profit and gross profit margin was mainly due to the decrease in average sales price of PV glass, and significant increase in costs of raw materials and energy as compared with the same period of last year.

The following table sets out gross profit of main products of the Group:

Production type	Six months ended 30 June 2022 Gross profit RMB'000	Six months ended 30 June 2022 Gross profit margin (%)	Six months ended 30 June 2021 Gross profit RMB'000	Six months ended 30 June 2021 Gross profit margin (%)
PV glass	**1,488,648.70**	**23.02**	1,527,909.50	45.95
Float glass	**5,323.60**	**3.44**	74,290.40	41.28
Household glass	**39,818.60**	**22.04**	58,047.50	32.57
Architectural glass	**59,949.80**	**18.78**	95,553.10	31.41
Mineral products	**43,811.10**	**58,043 6**		

Financial costs

For the six months ended 30 June 2022, the financial costs of the Group amounted to RMB76.8 million, representing an increase of 460.58% from RMB13.7 million for the six months ended 30 June 2021. The increase was mainly due to the increase in interest expenses on borrowings.

Income tax expense

For the six months ended 30 June 2022, the income tax expenses of the Group amounted to RMB94.7 million, representing a decrease of 48.78% from RMB184.9 million for the six months ended 30 June 2021, which was mainly due to the decrease in income tax expense in the current period as a result of the decrease in total profit and certain preferential policy of income tax exemption.

EBITDA and net profit

For the six months ended 30 June 2022, the EBITDA of the Group (earnings before interests, taxes, depreciation and amortization) increased by RMB99.7 million from RMB1,694.7 million for the six months ended 30 June 2021 to RMB1,794.4 million. The Group's EBITDA margin was 24.57% for the six months ended 30 June 2022 as compared with 42.07% for the same period of 2021.

For the six months ended 30 June 2022, the net profit decreased by RMB258.3 million from RMB1,261.0 million for the same period of 2021 to RMB1,002.7 million.

Assets and equity

As at 30 June 2022, the total assets amounted to RMB28,758.4 million, which increased by RMB8,675.5 million, or 43.20% from RMB20,082.9 million as at 31 December 2021. As at 30 June 2022, the shareholders' equity amounted to RMB13,200.2 million, which increased by RMB1,390.0 million, or 11.77% from RMB11,810.2 million as at 31 December 2021.

Financial resources and liquidity

As at 30 June 2022, the current ratio was 1.43 as compared with 1.44 as at 31 December 2021.

For the six months ended 30 June 2022, the Group's main sources of funding were proceeds from A share convertible bonds, cash from operating activities and credit financing provided by banks.

Asset-liability ratio

As at 30 June 2022, the Group's asset-liability ratio (asset-liability ratio equals to total debt divided by total asset as of the end of the year or period multiplied by 100%) was 54.10%, increased by 12.91 percentage as compared to 41.19% as at 31 December 2021.

Capital expenditures

As at 30 June 2022, total capital expenditures of the Group amounted to approximately RMB4,992.7 million (as at 30 June 2021: RMB1,899.0 million), involving the purchase of fixed assets, construction in progress and intangible assets for PV glass projects and the acquisition of subsidiaries.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 6,816 employees and most of them were based in the PRC, with a total employee remuneration amounting to RMB319.0 million for the six months ended 30 June 2022, representing 4.37% of the Group's operating revenue for the same period.

The Group maintains a good relationship with its employees and provides training to its employees. New joiners must attend mandatory in-house training. Furthermore, employees may attend external training such as training for manufacturing management, quality control management and human resources management. Remuneration of employees is reviewed periodically by reference to the market rate. After considering performance of the Group and job performance of specific employees, the Group may pay them a discretionary bonus.

The Group makes contributions for its employees in the PRC in relation to the mandatory social security funds including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance and housing provident fund contributions.

CREDIT RISK AND FOREIGN EXCHANGE RISK

Transactions of the Group are mainly settled in RMB, United States dollars, Hong Kong dollars, Vietnam Dong and Japanese yen, whereas, the Group's operating activities are mainly located in the PRC. Bank financing of the Group was settled in RMB and United States dollars for the six months ended 30 June 2022 with annual interest rates ranging from 1.30% to 4.65%. As the Group's trading currency of global certain sales, procurement and financing are not in the RMB but in foreign currencies, the Group is exposed to foreign exchange risk. For the six months ended 30 June 2022, such risks did not have any material impact on the financial performance of the Group.

Furthermore, the Group monitors the interest rate risk, in particular from the variable-rate borrowings with DBS Bank (Hong Kong) Limited of US$135 million. The Group will closely monitor interest rate risk exposures and purchase appropriate interest rate swap contracts in due course to mitigate risk exposures.

CAPITAL STRUCTURE

As at 30 June 2022, the Company issued a total of 2,146,893,254 shares, of which 1,696,893,254 were A shares and 450,000,000 were H shares.

Corporate Governance and Other Information

Compliance with Corporate Governance Code

In the opinion of the board (the "Board") of directors ("Directors") of the Company, the Company had complied with the code provisions in the Corporate Governance Code as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period from 1 January 2022 to 30 June 2022 except for code provision A.2.1.

Under code provision A.2.1 of the Corporate Governance Code, the role of the chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ruan Hongliang currently holds both position. Throughout the Group's business history of over 20 years, Mr. Ruan has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board considers that Mr. Ruan is the best candidate for both positions and the present arrangements are beneficial and in the interest of the Company and the shareholders as a whole.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Directors and supervisors of the Company are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all of the Directors and supervisors of the Company have confirmed that they had complied with the required standard set out in the Model Code throughout the period from 1 January 2022 to 30 June 2022.

Interests and Short Positions of Directors, Supervisors and Chief Executives

As at 30 June 2022, the interests and short positions of Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short position which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code contained in the Listing Rules, were as follows:

Shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares[1]	Approximate percentage of shareholding in the total share capital of the Company[2]
Directors					
Mr. Ruan Hongliang[3]	1,178,784,425(L)	A shares	Beneficial owner and parties acting in concert	69.47%	54.91%
	1,569,000(L)	H shares	Beneficial owner and parties acting in concert	0.35%	0.07%
Ms. Jiang Jinhua[3]	1,178,784,425(L)	A shares	Beneficial owner and parties acting in concert	69.47%	54.91%
	1,569,000(L)	H shares	Beneficial owner and parties acting in concert	0.35%	0.07%
Mr. Wei Yezhong[4]	16,437,445(L)	A shares	Beneficial owner	0.97%	0.77%
Mr. Shen Qifu[5]	10,958,297(L)	A shares	Beneficial owner	0.65%	0.51%
Supervisors					
Mr. Zheng Wenrong	46,801,800(L)	A shares	Beneficial owner	2.76%	2.18%
Mr. Shen Fuquan	31,201,200(L)	A shares	Beneficial owner	1.84%	1.45%
Mr. Shen Fuquan	20,351,200(L)	A shares	Beneficial owner	1.20%	0.95%
	10,850,000(S)	A shares	Beneficial owner	0.64%	0.51%

Notes:

(1) The calculation is based on the total number of 1,696,893,254 A Shares or 450,000,000 H Shares of the Company in issue as at 30 June 2022.

(2) The calculation is based on the total number of 1,696,893,254 A Shares and the total number of 450,000,000 H Shares (i.e. a total of 2,146,893,254 Shares) in issue as at 30 June 2022.

(3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. As at 30 June 2022, Mr. Ruan Hongliang owns 462,926,174 A Shares and 485,000 H Shares. Ms. Jiang Jinhua owns 341,465,760 A Shares and 111,000 H Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, and the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 369,335,004 A Shares and 973,000 H Shares. Mr. Zhao Xiaofei owns 5,057,487 A Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into among Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, each of Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei is considered to be interested in 1,178,784,425 A Shares and 1,569,000 H Shares under the SFO. On 31 May 2022, the Company completed the grant of 10,355,680, 7,638,600, 8,262,040 and 113,140 A share convertible bonds to Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, respectively.

(4) In May 2022, the Company completed the grant of 367,710 A share convertible bonds listed on the Shanghai Stock Exchange to Mr. Wei Yezong where Mr. Wei Yezong acquired the right to convert such convertible bonds into A shares.

(5) In May 2022, the Company completed the grant of 245,140 A share convertible bonds listed on the Shanghai Stock Exchange to Mr. Shen Qifu where Mr. Shen Qifu acquired the right to convert such convertible bonds into A shares.

Save as disclosed above, as at 30 June 2022, to the knowledge of the Company, none of the Directors, supervisors and the chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the shares or the underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial shareholders

As at 30 June 2022, the persons or corporations who has an interest or short position, other than Directors and chief executive of the Company, in the shares, underlying shares or debentures of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares[1]	Approximate percentage of shareholding in the total share capital of the Company[2]
Ms. Ruan Zeyun[3]	1,178,784,425 (L)	A Shares	Beneficial owner and parties	69.47%	54.91%
	1,569,000 (L)	H Shares	acting in concert	0.35%	0.07%
Mr. Zhao Xiaofei[3]	1,178,784,425 (L)	A Shares	Beneficial owner and parties	69.47%	54.91%
	1,569,000 (L)	H Shares	acting in concert	0.35%	0.07%
JPMorgan Chase & Co.[4]	63,029,896 (L)	H Shares	Interest of controlled	14.01%	2.94%
	13,008,326 (S)		corporation, investment	2.89%	0.61%
	28,387,546 (P)		manager, security interest in shares and approved lending agent	6.31%	1.32%
The Capital Group Companies, Inc.[5]	54,791,000 (L)	H Shares	Interest of controlled corporation	12.18%	2.55%
BlackRock, Inc.[6]	47,486,390 (L)	H Shares	Interest of controlled	10.55%	2.21%
	3,172,000 (S)		corporation	0.70%	0.15%
Bank of America Corporation[7]	35,842,386 (L)	H Shares	Interest of controlled	7.96%	1.67%
	35,329,158 (S)		corporation	7.85%	1.65%
Pacific Asset Management Co., Ltd.	31,525,000 (L)	H Shares	Investment manager	7.01%	1.47%
Schroders PLC[8]	27,236,000 (L)	H Shares	Investment manager	6.05%	1.27%
Shanghai Greenwoods Asset Management Company Limited[9]	27,042,000 (L)	H Shares	Investment manager	6.01%	1.26%
Xizang Jingning Corporate Management Company Limited[9]	27,042,000 (L)	H Shares	Interest of controlled corporation	6.01%	1.26%

Shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares[1]	Approximate percentage of shareholding in the total share capital of the Company[2]
Citigroup Inc.[3][4]	26,366,672 (L)	H Shares	Interest of controlled	5.86%	1.23%
	9,247,099 (S)		corporation and approved	2.05%	0.43%
	16,813,949 (P)		lending agent	3.74%	0.78%
UBS Group AG[3][4]	25,014,145 (L)	H Shares	Interest of controlled	5.56%	1.17%
	18,462,525 (S)		corporation	4.10%	0.86%
CICC Pucheng Investment Co., Ltd.	23,870,000 (L)	H Shares	Beneficial interest	5.30%	1.11%
China International Capital Corporation Limited[3][4]	22,573,000 (L)	H Shares	Interest of controlled corporation	5.02%	1.05%

Notes:

(1) The calculation is based on the total number of 1,696,893,254 A shares or 450,000,000 H shares of the Company in issue as at 30 June 2022.

(2) The calculation is based on the total number of 1,696,893,254 A shares and the total number of 450,000,000 H shares (i.e. a total of 2,146,893,254 shares) in issue as at 30 June 2022.

(3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. As at 30 June 2022, Mr. Ruan Hongliang owns 462,926,174 A Shares and 485,000 H Shares. Ms. Jiang Jinhua owns 341,465,760 A Shares and 111,000 H Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, and the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 369,335,004 A Shares and 973,000 H Shares. Mr. Zhao Xiaofei owns 5,057,487 A Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into among Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, each of Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei is considered to be interested in 1,178,784,425 A Shares and 1,569,000 H Shares under the SFO. On 31 May 2022, the Company completed the grant of 10,355,680, 7,638,600, 8,262,040 and 113,140 A share convertible bonds to Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, respectively.

(4) JPMorgan Chase & Co. held relevant interests and short positions through a series of its controlled corporations, including holding of certain listed derivatives (cash settlement: 1,100 shares (short positions) and unlisted derivatives (physical settlement: 313,784 shares (short positions); cash settlement: 3,930,380 shares (long positions) and 616,270 shares (short positions)).

(5) The Capital Group Companies, Inc. indirectly held relevant interests through a series of its controlled corporations.

(6) BlackRock, Inc. indirectly held relevant interests and short positions through a series of its controlled corporations, including holding of certain unlisted derivatives (cash settlement: 39,000 shares (long positions) and 1,549,000 shares (short positions)).

(7) Bank of America Corporation indirectly held relevant interests and short positions through a series of its controlled corporations, including holding of certain unlisted derivatives (cash settlement: 17,338,242 shares (long positions) and 2,088,900 shares (short positions)).

(8) Schroders PLC indirectly held relevant interests through a series of its controlled corporations.

(9) Xizang Jingning Corporate Management Company held 100% equity interest in Shanghai Greenwoods Asset Management Company Limited 100%.

(10) Citigroup Inc. indirectly held relevant interests and short positions through a series of its controlled corporations, including holding of certain unlisted derivatives (cash settlement:2,918,610 shares (long positions) and 175,000shares (short positions)).

(11) UBS Group AG held relevant interests and short positions through a series of its controlled corporations, including holding of certain listed derivatives (cash settlement: 325 shares (long positions) and 12,363 shares (short positions)) and unlisted derivatives (cash settlement：1,513,656 shares (long positions)and 1,322,971 shares (short positions)).

(12) China International Capital Corporation Limited indirectly held relevant interests through a series of its controlled corporations.

Save as disclosed above, as at 30 June 2022, so far as is known to the Directors, there is no other person (other than the Directors or supervisors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

1. Issuance of A Share Convertible Bonds

To further expand the capacity and maintain the leading technology and scale advantage of the Company's core product PV glass, while enhancing the financial strength and meet the working capital requirements of the Company, the Company proposed to issue A share convertible corporate bonds in the PRC, with total proceeds of no more than RMB4 billion. The relevant resolution was approved at the Board meeting held on 16 June 2021, and was approved at the 2021 second extraordinary general meeting, the 2021 second A share class meeting and the 2021 second H shareholders class meeting of the Company on 20 August 2021. On 16 June 2021, the announcement in relation to the issuance of A shares convertible bonds was published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the closing price of A share on that day was RMB29.53 per share. The target investors of the A share convertible bonds are natural persons, legal persons, securities investment funds and other investors who meet the requirements under the laws, and who have maintained securities accounts with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (except those prohibited by the state laws and regulations in the PRC). It was reported to the China Securities Regulatory Commission ("CSRC") on 8 November 2021 and it was approved by CSRC in March 2022.The issuance of A share convertible bonds was completed in May 2022.The A share convertible bonds under this issuance were with a nominal value of RMB100 and were issued at par. The Company completed the issue of 40 million convertible bonds. The subscription funds for the A share convertible bonds under this issuance totaled RMB4,000,000,000.00. After deducting the issuance fee of RMB23,078,799.67, the net funds raised were RMB3,976,921,200.33.

The total net proceeds from the public issuance of A share convertible bonds by the Company amounted to approximately RMB3,976.92 million. As at 30 June 2022, the use of such proceeds were as follows:

Use for	Percentage of net proceeds	Amount of net proceeds RMB'0,000	Amount utilized RMB'0,000	Amount unutilized RMB'0,000
Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project	48.50%	192,896.85	94,513.73	98,383.12
Distributed PV power generation construction project	16.41%	65,257.65	–	65,257.65
Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project	4.91%	19,537.62	1,523.54	18,014.08
Working capital	30.17%	120,000.00	120,000.00	0

The amount unutilized is excepted to be fully utilized by the Company according to its use of proceeds plan for such proceeds by December 2023. As at the date of this report, the Directors confirm that the proceeds were used and are proposed to be used according to the intentions previously disclosed.

2. Non-public Issuance of A Shares

In order to further increase the company's capacity scale, meet the growing market demand of the photovoltaic industry, provide customers with better quality products and efficient and timely services, further improve the company's comprehensive competitive strength, and consolidate and enhance the company's market position, on 1 June 2022, the Board approved the proposed non-public issuance of A shares which was also approved by shareholders at the 2022 first extraordinary general meeting, the 2022 first A share class meeting and the 2022 first H share class meeting held on 29 July 2022. On 1 June 2022, the announcement in relation to the proposed non-public issuance of A shares was published on the website of Stock Exchange and the closing price of A share on that day was RMB43.18 per share. The target subscribers including securities investment fund management companies, securities firms, trust companies, finance companies, insurance institutional investors, qualified foreign institutional investors which satisfy the relevant requirements of the CSRC and other corporate bodies, individuals or other institutional investors which satisfy the relevant requirements of the relevant laws and regulations. The shares to be issued under the non-public issuance are RMB denominated ordinary shares (A shares) with a nominal value of RMB0.25 each, which will be listed on the Shanghai Stock Exchange. As calculated by the total share capital of the Company on the date of announcement of the plan, the number of A shares to be issued in the non-public issuance shall not exceed 30% of the total number of A share of the Company prior to the offering, i.e. not more than 509.068 million A shares (inclusive), and shall be subject to the approval of the CSRC. As of the date of this interim report, the issuance of A share convertible corporate bonds has not been completed.

The total net proceeds from the non-public issuance of A shares by the Company is expected to be amounted to approximately RMB6,000,000,000. As at 30 June 2022, the use of such proceeds were as follows:

Unit: RMB10,000

Project		Percentage of net proceeds	Amount of utilized	Amount unutilized	Amount of net proceeds to be used
Annual production of 1,950,000 tons of new energy equipment high-transparent panel manufacturing project	Annual production of 750,000 tons of new energy equipment high-transparent panel manufacturing project	–	–	–	
	Annual production of 1,200,000 tons of new energy equipment high-transparent panel manufacturing project	–	–	–	193,000.00[note 2]
Annual production of 1,500,000 tons of new energy equipment ultra-thin and ultra-high-transparent panel manufacturing project		–	–	–	227,000.00[note 1, 3]
Working capital		–	–	–	180,000.00[note 4]
Total		–	–	–	600,000.00

Notes:

1. "The annual production of 1,500,000 tons of new energy equipment ultra-thin and ultra-high-transparent panel manufacturing project" in the second column above will be implemented in phases, and such investment in the project will be used for the first phase of the project.

2. The proceeds of Non-Public Issuance of A Shares will be utilized according to its progress, and the project is expected to be operated before 2022.

3. The proceeds of Non-Public Issuance of A Shares will be utilized according to its progress, and the project is expected to be operated before 2023.

4. The proceeds of Non-Public Issuance of A Shares is used to return bank loans and business operation, which is expected to be used up within six months of receiving the proceeds.

As at the date of the report, the Directors confirm that the proceeds are proposed to be used according to the intentions previously disclosed.

Except as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from 1 January 2022 to 30 June 2022.

Proceeds Brought Forward from Issuance of Equity Securities Made In Previous Financial Year

1. Non-public Issuance of A Shares

In order to meet the development needs of the Company, enhance the Company's core competitiveness, sustainable profitability, and safeguard the interests of minority shareholders of the Company, on 12 June 2020 and 15 July 2020, the Board approved the proposed non-public issuance of A shares and its revised version which was also approved by shareholders at the 2020 first extraordinary general meeting, the 2020 second A share class meeting and the 2020 second H share class meeting held on 10 August 2020. On 12 October 2020, the Issuance Approval Committee of the CSRC conducted a review of the Company's application for non-public issuance of A shares. Pursuant to the results of the review, the Company's application for non-public issuance of A shares was approved.

The shares to be issued under the non-public issuance are RMB denominated ordinary Shares (A Shares) with a nominal value of RMB0.25 each, which will be listed on the Shanghai Stock Exchange. On 18 January 2021, the Company completed the non-public issuance of A shares with the issuance of 84,545,147 A Shares in total at issue price of RMB29.57 per share. The total proceeds from the non-public issuance of A shares is RMB2,499,999,996.79. After deducting the underwriting fee and other issuance fee (excluding value-added tax) of RMB16,918,053.10, the net funds raised were RMB2,483,081,943.69. On 12 June 2020, the announcement of Proposed Non-public Issuance of A Shares was published on the website of HKEX and the closing price of A Share on that day was RMB15.61 per share. The target subscribers including securities investment fund management companies, securities firms, trust companies, finance companies, insurance institutional investors, qualified foreign institutional investors which satisfy the relevant requirements of the CSRC and other corporate bodies, individuals or other institutional investors which satisfy the relevant requirements of the relevant laws and regulations.

The total net proceeds from the non-public issuance of A shares by the Company amounted to approximately RMB2,483,081,943.69. As at 30 June 2022, the use of such proceeds were as follows:

Use for	Percentage of net proceeds	Amount of net proceeds (RMB'0,000)	Amount utilized (RMB'0,000)	Amount unutilized (RMB'0,000)
Phase II of PV glass as covers with an annual production capacity of 750,000 tons project	56.38%	140,000	140,000	0
PV backplane glass with an annual production capacity of 42 millions quare meters project	13.41%	33,308.19	33,308.19	0
Working capital	30.21%	75,000	75,000	0

As at the date of the report, the Directors confirm that the proceeds have been fully used according to the intentions previously disclosed.

2. Issuance of New H Shares under Specific Mandate

In order to provide long-term capital at a relative low financing cost, promote the stable development and growth of the Company, expand the investor base of H shares and enhance the Company's access to international investor(s) of strategic value, as well as optimize the company's capital structure, on 5 February 2021, the Company announced to propose to issue up to 76,000,000 new H shares, which was approved by the Board. The capital raised by the new H shares proposed to be issued shall represent: (i) approximately 3.5%of the total issued share capital of the Company as at the date of the Board meeting; (ii) approximately 3.4% of the total issued share capital of the Company enlarged by this issuance; (iii) approximately 16.9% of the total issued H Shares of the Company as at the date of the Board meeting; and (iv) approximately 14.4% of the total issued H Shares of the Company enlarged by this issuance. This issuance was considered and approved at the 2021 first extraordinary general meeting, the 2021 first A share class meeting and the 2021 first H share class meeting held on 25 March 2021. The Company received the Approval Regarding the Issuance of Overseas Listed Foreign Investment Shares by Flat Glass Group Co., Ltd. (the "Approval") issued by CSRC on 1 June 2021.

The new H Shares to be issued are overseas-listed foreign shares which shall be listed on the Main Board of the Stock Exchange with a par value of RMB0.25 each. On 5 February2021, the announcement in relation to the proposed issuance of new H shares under specific mandate was published on the website of the Stock Exchange and the closing price of the Company of H Share on that day was HK$32.48 per share. The target places of the new H Shares will be qualified investors (excluding those in respect of which subscription has been or would be prohibited under relevant laws and regulations), who (together with their respective ultimate beneficial owners) are independent third parties and not connected persons (as defined under the Listing Rules) of the Company. Due to the changes in the capital market conditions, the Company has not completed the issuance of additional H shares within twelve months from the date of the Approval. According to the announcement of the company dated 1 June 2022, the Approval lapses automatically upon expiry. Therefore use of proceeds from the proposed issuance of H shares is not applicable anymore.

Taxation

Holders of A shares

In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) (《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for shares of listed companies acquired by individuals from public offerings or transfer of shares in the market, where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax; where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income and where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For dividends distributed by listed companies, where the period of individual shareholding is within one year (inclusive), the listed companies shall not withhold the individual income tax temporarily. The tax payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with duration of its holding period. Custodian of shares including securities companies will withhold the amount from individual accounts and transfer the tax to China Securities Depository and Clearing Corporation Limited. China Securities Depository and Clearing Corporation Limited shall transfer the tax to the listed companies within 5 working days of the next month, and the listed companies shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period in that month.

Resident enterprise shareholders of A shares shall report and pay for the enterprise income tax of dividends by themselves.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice of the State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函2009[47]號)). QFII shareholders entitled to preferential tax treatment under tax treaties (arrangements) shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they receive the dividends, and tax rebates will be executed under tax treaties upon verification carried out by competent tax authorities.

For non-resident enterprise shareholders of A shares except the above-mentioned QFII, listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Tentative Measures for Administration of Withholding at the Source of Income Tax of Non-resident Enterprises (Guo Shui Fa [2009] No. 3) (《非居民企業所得稅源泉扣繳管理暫行辦法》(國稅發[2009]3號)) and the Response of the State Administration of Taxation Concerning Questions on Enterprise Income Tax over Dividend of B-shares and Other shares Received by Non-resident Enterprises (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)). Non-resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

Pursuant to the requirements of the Notice of the Ministry of FinanceTmf FinanceTmf Finanuirements

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shanghai-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shanghai-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui[2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shenzhen-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months could be exempted from enterprise income tax according to law.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

Dividends

For the six months ended 30 June 2022, the Board recommended an ordinary interim dividend of RMB0.23 yuan per share (before tax) (the "2022 Interim Dividend") and is subject to the approval by the 2022 third extraordinary general meeting of shareholders of the Company ("2022 Third EGM") to be convened. As the date of the 2022 Third EGM is yet to be set, the Company will announce in due course the details of the dates of closure of register of members, the record date and the payment date in a separate announcement.

Dividends on A shares will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of extraordinary general meeting.

Review of the Interim Report by the Audit Committee of the Company

The Company's interim report for the six months ended 30 June 2022 has not been audited but has been reviewed by the Company's audit committee, comprising its three independent non-executive Directors.

Consolidated Balance Sheet

RMB

Items	Note	30 June 2022	31 December 2021
Current assets:			
Cash at bank and on hand	1	**4,023,250,509.82**	2,842,677,267.48
Trading financial assets	2	**700,000,000.00**	200,000,000.00
Derivative financial assets	3	**–**	62,739.00
Bills receivable	4	**2,016,706,300.57**	939,748,112.41
Trade receivables	5	**2,713,330,450.16**	1,105,759,571.75
Financing receivables	6	**596,244,502.28**	531,196,547.78
Advance payment	7	**415,641,169.16**	692,261,958.13
Other receivables	8	**53,523,216.63**	54,999,617.97
Inventories	9	**1,496,902,516.96**	2,276,469,528.29
Other current assets	10	**114,315,141.92**	255,127,082.80
Total current assets		**12,129,913,807.50**	8,898,302,425.61
Non-current assets:			
Long-term equity investments	11	**74,269,507.82**	71,530,334.22
Investment properties	12	**18,086,495.83**	18,802,231.03
Fixed assets	13	**9,179,825,831.06**	6,316,279,511.19
Construction in progress	14	**2,072,848,900.09**	3,067,207,867.50
Right-of-use asset	15	**172,642,131.34**	170,070,872.22
Intangible assets	16	**4,023,561,481.57**	662,708,796.08
Long-term prepaid expenses		**11,469,799.56**	6,948,461.94
Deferred tax assets	17	**4,451,373.78**	4,162,665.30
Other non-current assets	18	**1,071,368,607.59**	866,903,935.41
Total non-current assets		**16,628,524,128.64**	11,184,614,674.89
Total assets		**28,758,437,936.14**	20,082,917,100.50

RMB

Items	Note	30 June 2022	31 December 2021
Current liabilities:			
Short-term borrowings	19	**1,966,252,066.84**	1,860,696,500.00
Derivative financial liabilities	20	**3,598,130.06**	–
Bills payables	21	**967,943,844.79**	1,036,982,577.72
Trade payables	22	**3,369,204,291.79**	2,306,910,116.65
Contract liabilities	23	**119,823,950.23**	352,681,717.14
Payroll payable	24	**52,276,720.97**	67,519,702.61
Tax payable	25	**236,427,450.22**	48,629,486.85
Other payables	26	**680,675,249.47**	136,664,417.03
Including: Interests payable		**7,398,469.04**	4,225,184.38
Dividends payable		**791,200.00**	791,200.00
Non-current liabilities due within one year	27	**1,059,384,444.73**	310,100,070.52
Other current liabilities		**12,191,163.60**	44,277,908.91
Total current liabilities		**8,467,777,312.70**	6,164,462,497.43
Non-current liabilities:			
Long-term borrowings	28	**3,091,900,000.00**	1,967,748,428.04
Bonds payables	29	**3,660,546,167.06**	–
Lease liabilities	30	**10,685,236.11**	10,879,703.29
Long-term payables	32	**178,010,897.90**	–
Deferred income	31	**64,503,881.87**	25,441,145.12
Deferred tax liabilities	17	**84,787,542.50**	104,216,253.83
Total non-current liabilities		**7,090,433,725.44**	2,108,285,530.28
Total liabilities		**15,558,211,038.14**	8,272,748,027.71

RMB

Items	Note	30 June 2022	31 December 2021
Shareholders' equity			
Share capital	33	**536,723,313.50**	536,723,313.50
Other equity instruments	34	**333,235,286.91**	–
Capital reserve	35	**4,848,611,260.86**	4,832,768,261.83
Less: Treasury stock		**30,104,000.00**	32,096,200.00
Other comprehensive income	37	**22,276,078.73**	(7,613,180.72)
Special reserve	38	**23,616,256.64**	17,266,053.61
Surplus reserve	39	**268,361,656.75**	268,361,656.75
Undistributed profit	40	**7,197,507,044.61**	6,194,759,167.82
Total equity attributable to shareholders of the parent company		**13,200,226,898.00**	11,810,169,072.79
Total shareholders' equity		**13,200,226,898.00**	11,810,169,072.79
Total liabilities and shareholders' equity		**28,758,437,936.14**	20,082,917,100.50

Balance Sheet of the Parent Company

RMB

Items	Note	30 June 2022	31 December 2021
Current assets:			
Cash at bank and on hand		**2,597,515,069.67**	593,095,104.71
Trading financial assets		**300,000,000.00**	–
Derivative financial assets		**–**	–
Bills receivable		**641,605,961.31**	448,120,747.17
Trade receivables	1	**937,073,154.17**	347,593,588.48
Financing receivables		**167,943,409.99**	176,107,817.92
Advance payment		**202,602,599.16**	113,797,898.71
Other receivables	2	**1,742,784,071.43**	1,837,334,934.64
Including: Dividends receivable		**148,731,538.16**	800,000,000.00
Inventories		**429,521,571.27**	319,598,489.09
Other current assets		**14,699,155.04**	20,480,374.08
Total current assets		**7,033,744,992.04**	3,856,128,954.80
Non-current assets:			
Long-term equity investments	3	**4,157,352,990.72**	1,350,059,171.12
Investment in other equity instrument		**–**	–
Investment properties		**–**	–
Fixed assets		**2,811,721,752.27**	1,280,018,460.38
Construction in progress		**262,536,204.31**	1,309,136,814.51
Right-of-use asset		**–**	–
Intangible assets		**387,273,873.79**	392,286,140.98
Long-term prepaid expenses		**5,686,374.76**	2,596,418.88
Deferred tax assets		**–**	–
Other non-current assets		**5,292,653,398.94**	4,622,171,949.91
Total non-current assets		**12,917,224,594.79**	8,956,268,955.78
Total assets		**19,950,969,586.83**	12,812,397,910.58

RMB

Items	Note	30 June 2022	31 December 2021
Current liabilities:			
Short-term borrowings		**1,023,332,866.84**	1,261,939,500.00
Derivative financial liabilities		**–**	–
Bills payables		**739,859,796.22**	557,046,846.40
Trade payables		**1,273,574,861.40**	874,183,753.59
Contract liabilities		**25,943,220.46**	172,956,634.95
Payroll payable		**23,467,573.41**	28,878,501.78
Tax payable		**62,888,608.01**	17,775,591.40
Other payables		**1,304,872,044.34**	565,827,131.31
Including: Interest payable		**5,358,807.57**	2,551,415.40
Dividends payable		**791,200.00**	791,200.00
Non-current liabilities due within one year		**101,700,000.00**	3,200,000.00
Other current liabilities		**3,337,865.04**	22,438,022.78
Total current liabilities		**4,558,976,835.72**	3,504,245,982.21
Non-current liabilities:			
Long-term borrowings		**2,656,700,000.00**	786,800,000.00
Bonds payables		**3,660,546,167.06**	–
Lease liability		**–**	–
Long-term payables		**–**	–
Estimated liabilities		**–**	–
Deferred income		**10,741,749.57**	13,423,678.16
Deferred income tax liability		**4,905,810.86**	8,557,857.51
Total non-current liabilities		**6,332,893,727.49**	808,781,535.67
Total liabilities		**10,891,870,563.21**	4,313,027,517.88

RMB

Items	Note	30 June 2022	31 December 2021
Shareholders' equity:			
Share capital		**536,723,313.50**	536,723,313.50
Other equity instruments		**333,235,286.91**	–
Capital reserve		**4,848,611,260.86**	4,832,768,261.83
Less: Treasury stock		**30,104,000.00**	32,096,200.00
Other comprehensive income		**(775,619.54)**	(609,915.05)
Surplus reserve		**268,361,656.75**	268,361,656.75
Undistributed profit		**3,103,047,125.14**	2,894,223,275.67
Total equity attributable to owners of the parent company		**9,059,099,023.62**	8,499,370,392.70
Total shareholders' equity		**9,059,099,023.62**	8,499,370,392.70
Total liabilities and shareholders' equity		**19,950,969,586.83**	12,812,397,910.58

Consolidated Income Statements

RMB

Items			Note	For the six months ended 30 June 2022	For the six months ended 30 June 2021
I.	**Operating revenue**		41	**7,304,491,338.96**	4,028,022,488.56
	Less:	Operating costs		**5,650,508,668.44**	2,245,211,455.30
		Taxes and surcharges	42	**45,449,665.35**	21,201,184.74
		Selling expenses	43	**49,650,173.34**	56,442,822.66
		General and administrative expenses	44	**126,399,595.74**	107,119,073.48
		Research and development expenses	45	**255,054,636.60**	200,038,514.30
		Financial expenses	46	**76,768,433.12**	13,720,261.74
		Including: Interest expenses		**120,102,101.64**	34,644,318.71
		Interest income		**25,481,363.85**	21,301,664.66
	Add:	Other income	47	**40,868,360.92**	12,336,592.31
		Investment income (loss)	48	**4,199,843.60**	21,587,263.15
		Including: Gains on investment in associates and joint ventures		**3,582,923.60**	2,834,046.74
		Profit (loss) arising from changes in fair value	49	**(3,660,869.06)**	(160,041.62)
		Credit impairment loss	50	**(28,631,879.47)**	30,496,077.35
		Asset impairment loss	51	**(6,723,522.16)**	(4,329,681.98)
		Gains (losses) on disposal of assets	52	**(9,150,998.74)**	(950,017.12)
II.	**Operating profit**			**1,097,561,101.46**	1,443,269,368.43
	Add:	Non-operating income	53	**2,092,103.81**	3,355,129.18
	Less:	Non-operating expenses	54	**2,254,370.81**	709,760.70
III.	**Total profit**			**1,097,398,834.46**	1,445,914,736.91
	Less:	Income tax expense	55	**94,650,957.67**	184,884,747.88
IV.	**Net profit**			**1,002,747,876.79**	1,261,029,989.03
	Net profit attributable to equity owners of parent company			**1,002,747,876.79**	1,261,029,989.03

Items	Note	For the six months ended 30 June 2022	For the six months ended 30 June 2021
V. Other comprehensive income, net of tax		**29,889,259.45**	(1,066,315.53)
Other comprehensive income, net of tax attributable to the owner of parent company		**29,889,259.45**	(1,066,315.53)
(1) Other comprehensive income that cannot be reclassified to profit or loss		–	(1,133,085.00)
− Changes in fair value of other equity instruments		–	(1,133,085.00)
(2) Other comprehensive income that will be reclassified to profit or loss		**29,889,259.45**	66,769.47
− Exchange differences on foreign currency financial statements translation		**29,586,440.51**	

Income Statements of the Parent Company

RMB

Items			Note	For the six months ended 30 June 2022	For the six months ended 30 June 2021
I.	**Operating revenue**		4	**2,364,194,413.72**	2,016,966,902.46
	Less:	Operating costs		**1,951,593,318.84**	1,538,006,914.04
		Taxes and surcharges		**3,634,539.87**	3,204,356.66
		Selling expenses		**19,135,579.80**	11,821,433.25
		General and administrative expenses		**69,871,990.97**	62,026,068.29
		Research and development expenses		**85,360,429.83**	78,720,175.00
		Financial expenses		**6,265,338.85**	(6,898,182.62)
		Including: Interest expenses		**71,407,412.96**	13,981,123.78
		Interest income		**13,340,110.93**	12,234,408.51
	Add:	Other income	5	**9,529,261.87**	6,292,315.65
		Investment income (loss)		**2,293,819.60**	2,834,046.74
		Including: Gains on investment in associates and joint ventures		**2,293,819.60**	2,834,046.74
		Credit impairment loss		**(8,110,426.25)**	23,862,144.23
		Asset impairment loss		**(3,932,514.57)**	(4,325,366.00)
		Gains (losses) on disposal of assets		**401,795.49**	106,241.91
II.	**Operating profit**			**228,515,151.70**	358,855,520.37
	Add:	Non-operating income		**867,335.51**	64,595.34
	Less:	Non-operating expenses		**1,275,851.39**	563,362.04
III.	**Total profit**			**228,106,635.82**	358,356,753.67
	Less:	Income tax expenses		**19,282,786.35**	40,660,678.66
IV.	**Net profit**			**208,823,849.47**	317,696,075.01
	Net profit from continuing operation			**208,823,849.47**	317,696,075.01

RMB

Items	Note	**For the six months ended 30 June 2022**	For the six months ended 30 June 2021
V. Other comprehensive income, net of tax		**(165,704.49)**	1,971,851.19
(1) Other comprehensive income that will be reclassified to profit or loss		**(165,704.49)**	1,971,851.19
− Other		**(165,704.49)**	1,971,851.19
VI. Total comprehensive income		**208,658,144.98**	319,667,926.20

Consolidated Statements of Cash Flow

RMB

Items		Note	For the six months ended 30 June 2022	For the six months ended 30 June 2021
I.	**Cash flow from operating activities:**			
	Cash received from sale of goods or rendering of services		**3,038,800,978.84**	2,887,893,348.03
	Cash received from refunds of taxes		**67,399,490.94**	157,930,399.47
	Cash received relating to other operating activities	56	**123,781,925.79**	34,157,968.08
	Subtotal of cash inflows		**3,229,982,395.57**	3,079,981,715.58
	Cash paid for goods and services		**1,551,673,945.49**	1,698,762,995.28
	Cash paid to and on behalf of employee		**334,286,062.44**	224,622,530.60
	Cash paid for payments of taxes and surcharges		**235,588,722.86**	344,428,646.38
	Cash paid relating to other operating activities	56	**202,168,255.91**	415,015,587.14
	Subtotal of cash outflows		**2,323,716,986.70**	2,682,829,759.40
	Net cash flow from operating activities		**906,265,408.87**	397,151,956.18
II.	**Cash flow from investing activities:**			
	Cash received from disposal of investments		**200,000,000.00**	2,050,000,000.00
	Cash received from returns on investments		**1,460,670.00**	20,492,482.61
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**4,044,620.93**	6,771,658.76
	Cash received relating to other investing activities	56	**14,489,983.85**	40,985,939.59
	Subtotal of cash inflows		**219,995,274.78**	2,118,250,080.96
	Cash paid to purchase fixed assets, intangible assets and other long-term assets		**2,188,693,239.71**	1,898,993,502.24
	Cash paid relating to investment		**700,000,000.00**	2,050,000,000.00
	Net cash paid for acquisition of subsidiaries and other operating		**2,803,965,670.84**	
	Cash paid relating to other investing activities	56	**46,849,962.30**	25,166,299.08
	Subtotal of cash outflows		**5,739,508,872.85**	3,974,159,801.32
	Net cash flow from investing activities		**(5,519,513,598.07)**	(1,855,909,720.36)

RMB

Items	Note	For the six months ended 30 June 2022	For the six months ended 30 June 2021
III. Cash flow from financing activities:			
Cash received from capital contribution		**–**	2,509,960,996.79
Cash received from issued bonds		**3,978,000,000.00**	–
Cash received from borrowings		**4,085,382,666.84**	1,298,907,944.79
Cash received relating to other financing activities	56	**466,542,322.25**	459,117,039.95
Subtotal of cash inflows		**8,529,924,989.09**	4,267,985,981.53
Cash paid for payment of borrowings		**2,208,375,500.00**	649,455,977.28
Cash paid for distribution of dividends, and profits or payment of interest		**92,732,448.31**	361,036,874.42
Cash paid relating to other financing activities	56	**496,112,910.71**	748,526,906.50
Subtotal of cash outflows		**2,797,220,859.02**	1,759,019,758.20
Net cash flow from financing activities		**5,732,704,130.07**	2,508,966,223.33
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**23,638,751.01**	(6,274,196.59)
V. Net increase (decrease) in cash and cash equivalents		**1,143,094,691.88**	1,043,934,262.56
Add: Cash and cash equivalents at the beginning of the year		**2,101,730,679.46**	1,146,171,930.13
VI. Cash and cash equivalents at the end of the year		**3,244,825,371.34**	2,190,106,192.69

Statements of Cash Flow of the Parent Company

RMB

Items		Note	For the six months ended 30 June 2022	For the six months ended 30 June 2021
I.	**Cash flow from operating activities:**			
	Cash received from sale of goods or rendering of services		**788,861,444.80**	1,306,196,622.88
	Cash received from refunds of taxes		**4,593,212.60**	13,018,012.65
	Cash received relating to other operating activities		**34,354,347.21**	13,232,174.14
	Subtotal of cash inflows		**827,809,004.61**	1,332,446,809.67
	Cash paid for goods and services		**810,338,583.44**	883,910,966.58
	Cash paid to and on behalf of employee		**106,759,256.97**	29,570,696.15
	Cash paid for payments of taxes and surcharges		**34,502,346.92**	75,294,778.68
	Cash paid relating to other operating activities		**84,347,262.63**	114,761,990.71
	Subtotal of cash outflows		**1,035,947,449.96**	1,103,538,432.12
	Net cash flow from operating activities		**(208,138,445.35)**	228,908,377.55
II.	**Cash flow from investing activities:**			
	Cash received from disposal of investments		**–**	200,000,000.00
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**1,304,506.44**	781,387.96
	Cash received relating to other investing activities		**2,006,266,142.87**	402,268,570.34
	Subtotal of cash inflows		**2,007,570,649.31**	603,049,958.30
	Cash paid to purchase fixed assets, intangible assets and other long-term assets		**435,769,660.39**	684,855,708.49
	Cash paid relating to investment		**300,000,000.00**	200,000,000.00
	Net cash invested in establishment of subsidiary or other operating units		**2,284,052,400.00**	
	Cash paid relating to other investing activities		**2,649,637,730.51**	2,245,398,155.55
	Subtotal of cash outflows		**5,669,459,790.90**	3,130,253,864.04
	Net cash flow from investing activities		**(3,661,889,141.59)**	(2,527,203,905.74)

RMB

Items	Note	For the six months ended 30 June 2022	For the six months ended 30 June 2021
III. Cash flow from financing activities:			
Cash received from capital contribution		–	2,509,960,996.79
Cash received from borrowings		**3,149,547,866.84**	691,399,876.83
Cash received relating to other financing activities		**4,245,681,541.07**	376,740,309.13
Subtotal of cash inflows		**7,395,229,407.91**	3,578,101,182.75
Cash paid for payment of borrowings		**1,421,394,000.00**	208,319,006.22
Cash paid for distribution of dividends, and profits or payment of interest		**52,818,566.82**	334,567,349.26
Cash paid relating to other financing activities		**221,263,681.40**	572,625,524.85
Subtotal of cash outflows		**1,695,476,248.22**	1,115,511,880.33
Net cash flow from financing activities		**5,699,753,159.69**	2,462,589,302.42
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**5,498,339.01**	(990,178.53)
V. Net increase (decrease) in cash and cash equivalents		**1,835,223,911.76**	163,303,595.70
Add: Cash and cash equivalents at the beginning of the year		**445,104,022.54**	188,559,197.40
VI. Cash and cash equivalents at the end of the year		**2,280,327,934.30**	351,862,793.10

RMB

Items	The half year for 2022								
	Equity attributable to the owners of the parent company								
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Minority interests	Total shareholders' equity
I. Closing balance of the last year	536,723,313.50	–	4,832,768,261.83	32,096,200.00	(7,613,180.72)	17,266,053.61	268,361,656.75	6,194,759,167.82	–	11,810,169,072.79
II. Opening balance of the current half year	536,723,313.50	–	4,832,768,261.83	32,096,200.00	(7,613,180.72)	17,266,053.61	268,361,656.75	6,194,759,167.82	–	11,810,169,072.79
III. Increase/decrease for the current period										
(I) Total comprehensive income	–	–	–	–	29,889,259.45	–	–	1,002,747,876.79	–	1,032,637,136.24
(II) Contribution of shareholders	–	333,235,286.91	15,842,999.03	–	–	–	–	–	–	349,078,285.94
1. Common shares contributed by owners	–	–	–	–	–	–	–	–		–
2. Contribution of capital by other equity instrument owners	–	333,235,286.91	–	–	–	–	–	–		333,235,286.91
3. Amount of share-based payment included in owner's equity	–	–	15,842,999.03	–	–	–	–	–	–	15,842,999.03
(III) Profit distribution	–	–	–	(1,992,200.00)	–	–	–	–	–	1,992,200.00
1. Appropriation to shareholders	–	–	–	(1,992,200.00)	–	–	–	–	–	1,992,200.00
(IV) Special reserve	–	–	–	–	–	6,350,203.03	–	–	–	6,350,203.03
1. Provision of special reserves	–	–	–	–	–	6,557,571.38	–	–	–	6,557,571.38
2. Utilization of special reserves						(207,368.35)				(207,368.35)
IV. Closing balance of the current half year	536,723,313.50	333,235,286.91	4,848,611,260.86	(30,104,000.00)	22,276,078.73	23,616,256.64	268,361,656.75	7,197,507,044.61	–	13,200,226,898.00

For the six months ended 30 June 2021

Equity attributable to the owners of the parent company

Items	Paid-in capital (or share capital)	Other equity instrument	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Minority interest	Total shareholders' equity
I. Closing balance of the last year	510,312,197.00	49,401,670.49	2,045,095,156.05	28,359,000.00	(26,338,876.15)	14,369,931.38	220,705,199.31	4,449,556,361.77	–	7,234,742,639.85
II. Opening balance of the current half year	510,312,197.00	49,401,670.49	2,045,095,156.05	28,359,000.00	(26,338,876.15)	14,369,931.38	220,705,199.31	4,449,556,361.77	–	7,234,742,639.85
III. Increase/decrease for the current period										
(I) Total comprehensive income	–	–	–	–	(1,066,315.53)	–	–	1,261,029,989.03	–	1,259,963,673.50
(II) Contribution of shareholders	26,411,116.50	(49,401,670.49)	2,767,546,281.74	9,961,000.00	–	–	–	–	–	2,734,594,727.75
1. Common shares contributed by owners	21,311,286.75	–	2,471,731,656.94	9,961,000.00	–	–	–	–	–	2,483,081,943.69
2. Contribution of capital by other equity instrument owners	5,099,829.75	(49,401,670.49)	278,934,138.94	–	–	–	–	–	–	234,632,298.20
3. Amount of share-based payment included in owner's equity	–	–	16,880,485.86	–	–	–	–	–	–	16,880,485.86
(III) Profit distribution	–	–	–	(690,000.00)	–	–	–	(321,928,988.10)	–	(321,238,988.10)
1. Appropriation to shareholders	–	–	–	(690,000.00)	–	–	–	(321,928,988.10)	–	(321,238,988.10)
(IV) Special reserve	–	–	–	–	–	829,457.82	–	–	–	829,457.82
1. Provision of special reserves	–	–	–	–	–	843,834.60	–	–	–	843,834.60
2. Utilization of special reserves						14,376.78				14,376.78
IV. Closing balance of the current half year	536,723,313.50	–	4,812,641,437.79	37,630,000.00	(27,405,191.68)	15,199,389.20	220,705,199.31	5,388,657,362.70	–	10,908,891,510.82

Statements of Changes in Shareholders' Equity of the Parent Company

RMB

	For the six months ended 30 June 2022							
Items	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Opening balance of the current year	536,723,313.50	–	4,832,768,261.83	32,096,200.00	(609,915.05)	268,361,656.75	2,894,223,275.67	8,499,370,392.70
II. Increase/decrease for the current year								
(I) Total comprehensive income	–	–	–	–	(165,704.49)	–	208,823,549.47	208,658,144.98
(II) Contribution and withdrawal of capital by shareholders	–	333,235,286.91	15,842,999.03	–	–	–	–	349,078,285.94
1. Common shares contributed by owners	–	–	–	–	–	–	–	
2. Contribution of capital by other equity instrument owners	–	333,235,286.91	–	–	–	–		333,235,286.91
3. Amount of share-based payment included in owner's equity	–	–	15,842,999.03	–	–	–	–	15,842,999.03
(III) Profit distribution	–	–	–	(1,992,200.00)	–	–	–	1,992,200.00
2. Appropriation to shareholders	–	–	–	(1,992,200.00)	–	–	–	1,992,200.00
III. Closing balance of the current half year	536,723,313.50	333,235,286.91	4,848,611,260.86	30,104,000.00	(775,619.54)	268,361,656.75	3,103,047,125.14	9,059,099,023.62

RMB

	For the six months ended 30 June 2021							
Items	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Opening balance of the current year	510,312,197.00	49,401,670.49	2,045,095,156.05	28,359,000.00	(5,964,567.44)	220,705,199.31	1,862,201,037.65	4,653,391,693.06
II. Increase/decrease for the current year								
(I) Total comprehensive income	–	–	–	–	1,971,851.19	–	317,696,075.01	319,667,926.20
(II) Contribution and withdrawal of capital by shareholders	26,411,116.50	(49,401,670.49)	2,767,546,281.74	9,961,000.00	–	–	–	2,734,594,727.75
1. Common shares contributed by owners	21,311,286.75	–	2,471,731,656.94	9,961,000.00	–	–	–	2,483,081,943.69
2. Contribution of capital by other equity instrument owners	5,099,829.75	(49,401,670.49)	278,934,138.94	–	–	–	–	234,632,298.20
3. Amount of share-based payment included in owner's equity	–	–	16,880,485.86	–	–	–	–	16,880,485.86
(III) Profit distribution	–	–	–	(690,000.00)	–	–	(321,928,988.10)	(321,238,988.10)
2. Appropriation to shareholders	–	–	–	(690,000.00)	–	–	(321,928,988.10)	(321,238,988.10)
III. Closing balance of the current year	536,723,313.50	–	4,812,641,437.79	37,630,000.00	(3,992,716.25)	220,705,199.31	1,857,968,124.56	7,386,415,358.91

Notes to the Financial Statements

(I) CORPORATION INFORMATION

1. Company Overview

Flat Glass Group Co., Ltd. (the "Company") was established on 24 June 1998 with its registered address at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province. On 29 December 2005, the Company was converted into a joint stock limited liability company and changed its name to Zhejiang Flat Glass & Mirror Co., Ltd.* (浙江福萊特玻璃鏡業股份有限公司). On 23 March 2011, the Company was renamed as Flat Solar Glass Group Co., Ltd.* (福萊特光伏玻璃集團股份有限公司) and subsequently renamed as Flat Glass Group Co., Ltd.* (福萊特玻璃集團股份有限公司) on 10 October 2014.

On 26 November 2015, the Company issued 450,000,000 overseas listed foreign shares (H shares) with a par value of RMB0.25 per share through global public offering. On the same date, the Company's shares were listed on The Stock Exchange of Hong Kong Limited.

On 23 November 2018, the Company received the Approval of the Initial Public Offering of Shares of Flat Glass Group Co., Ltd. (CSRC Approval [2018] No.1959) issued by China Securities Regulatory Commission, that the Company can issue no more than 150,000,000 ordinary shares (A shares) and list on Shanghai Stock Exchange. On 15 February 2019, the Company issued 150,000,000 RMB ordinary shares (A shares) with a par value of RMB0.25 per share at the issue price of RMB2.00 per share. After the change, the registered capital was RMB487,500,000.00.

On 11 August 2020, in accordance with the "Proposal on Adjusting the List of Incentive Participants and the Number of Restricted Shares Granted on the First Grant of the Company's 2020 A-Share Restricted Share Incentive Scheme" and the "Proposal on the First Grant of A-Share Restricted Shares to Incentive Participants", the Company granted restricted shares to proposed incentive participants. A total of 15 incentive participants subscribed for 4,600,000 RMB ordinary shares (A Shares) with a par value of RMB0.25 each, and the grant price was RMB6.23 per share. After the completion of the abovementioned transaction, the registered capital of the company after the change was RMB488,650,000.00.

As approved by the China Securities Regulatory Commission, the Company publicly issued 14.50 million A share convertible corporate bonds (the "Convertible Bonds") with a par value of RMB100 each on 27 May 2020. The total amount of this issuance is RMB1,450,000,000.00 and the term is 6 years. Pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other relevant regulations and the Prospectus of A Share Convertible Corporate Bond through Public Issuance of Flat Glass Group Co., Ltd., the Convertible Bonds can be converted into the RMB ordinary shares (A shares) of the Company from 3 December 2020. The initial conversion price is RMB13.56 per share. The Company will adjust the conversion price based on the prospectus upon the occurrence of distribution of stock dividend, capitalisation issue, issuance of new shares (excluding the increase in share capital due to the convertible corporate bonds in this issuance), rights issue or distribution of cash dividend. On 9 November 2020, the Company adjusted the conversion price to RMB13.48 per share based on the A-share restricted share incentive scheme and 2020 interim profit distribution proposal. On 28 January 2021, the Company adjusted the conversion price to RMB14.15 per share due to the non-public issuance of RMB ordinary shares (A shares). During the period from 3 December 2020 to 27 January 2021, the convertible bonds of the Company amounting to RMB1,358,240,000.00 were converted into 100,754,542 RMB ordinary shares (A shares) at a conversion price of RMB13.48 per share. During the period from 28 January 2021 to 29 January 2021, the convertible bonds of the Company amounting to RMB89,057,000.00 were converted into 6,293,565 RMB ordinary shares (A shares) at a conversion price of RMB14.15 per share. During the period from 3 December 2020 to 23 December 2020, the closing prices of shares of the Company for at least 15 trading days out of any 30 consecutive trading days during the conversion period were no less than 130% (130% inclusive) of the prevailing conversion price, triggering the conditional redemption terms of convertible bonds. On 23 December 2020, the Resolution on Early Redemption of Flat Convertible Bonds by the Company was considered and approved at the 28th meeting of the fifth session of the Board, under which the Company decided to exercise the early redemption right of Flat Convertible Bonds, and redeemed all the Flat Convertible Bonds registered on the redemption registration date with the redemption registration date of 29 January 2021. As of 29 January 2021, the convertible bonds in an amount of RMB1,447,297,000.00 have been converted into RMB ordinary shares (A shares), and the cumulative number of converted shares amounted to 107,048,107 shares (including: conversion of 86,648,788.00 shares in 2020, which expanded the registered capital by RMB21,662,197.00 and capital reserve by RMB1,162,828,718.24; and conversion of 20,399,319.00 shares, which expanded the registered capital by RMB5,099,829.75 and capital reserve by RMB278,934,138.94), and the non-converted convertible bonds of RMB2,703,000.00 have been redeemed by the Company. Due to the conversion of convertible bonds, the registered capital of the Company increased by RMB26,762,026.75, the number of shares increased by 107,048,107 shares and the capital reserve increased by RMB1,441,762,857.18.

As considered and approved at the 20th meeting of the fifth session of the Board, 2020 first extraordinary general meeting, 2020 second A shareholders class meeting and 2020 second H shareholders class meeting of the Company, and approved by the Approval of the Non-public Issuance of Shares of Flat Glass Group Co., Ltd. (CSRC Approval [2020] No. 2648) issued by China Securities Regulatory Commission, the Company was permitted to issue not more than 450,000,000 RMB ordinary shares (A shares) by way of non-public issuance. As of 7 January 2021, the Company has completed the non-public issuance of 84,545,147 RMB ordinary shares (A shares) at a par value of RMB0.25 per share at an issue price of RMB29.57 per share with the total amount of funds raised of RMB2,499,999,996.79. The net proceeds were RMB2,483,081,943.69 after deducting the issue cost of RMB16,918,053.10, of which the amount of RMB21,136,286.75 and RMB2,461,945,656.94 was included in total share capital and capital reserve, respectively. All payments of subscription amounts were made by cash in Renminbi. Due to the non-public issuance of A shares, the registered capital of the Company increased by RMB21,136,286.75, the number of shares increased by 84,545,147 shares and the capital reserve increased by RMB2,461,945,656.94.

On 25 May 2021, the Company held the second meeting of the sixth session of the Board, at which the Resolution in relation to the Reserved Grant of the Restricted A Shares to Participants was considered and approved to grant restricted shares to three participants. The participants actually subscribed for 700,000 RMB ordinary shares (A shares), with a par value of RMB0.25 per share at a grant price of RMB14.23 per share. Upon the completion of the above grant of restricted shares, the registered capital of the Company became RMB536,723,313.50.

As approved by the Approval of the Public Issuance of Convertible Bonds of Flat Glass Group Co., Ltd. (CSRC Approval [2022] No. 664) issued by China Securities Regulatory Commission and pursuant to the Prospectus of A Share Convertible Corporate Bond through Public Issuance and the Announcement on A Share Convertible Corporate Bond through Public Issuance of the Company, the Company publicly issued 40 million A share convertible corporate bonds with a par value of RMB100 each on 26 May 2022. The total amount of this issuance is RMB4,000,000,000.00 and the term is 6 years. The total proceeds received by the Company are RMB3,978,000,000.00 after deducting the underwriting fee of RMB20,754,716.98 and the corresponding value-added tax of RMB1,245,283.02. According to relevant regulations including the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the provisions under the Prospectus of A Share Convertible Corporate Bond through Public Issuance, the Convertible Bonds are convertible into RMB ordinary shares (A shares) with effect from 28 November 2022 at an initial conversion price of RMB43.94 per share. The Company will adjust the conversion price based on the prospectus upon the occurrence of distribution of stock dividend, capitalization issue, issuance of new shares (excluding the increase in share capital due to the convertible corporate bonds in this issuance), rights issue or distribution of cash dividend.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacturing and sales of glass products.

The de facto controllers of the Company are Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, of whom Mr. Ruan Hongliang and Ms. Jiang Jinhua are directors of the Company.

2. Scope of the Consolidated Financial Statements

On 26 August 2022, the Company's company and consolidated financial statements have been approved by the Board of Directors of the Company.

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group has implemented the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter referred to as the "CASBE") and has also disclosed relevant financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (revised in 2014). In addition, the financial statements also include disclosures required by the Companies Ordinance and the Listing Rules of the stock exchange of Hong Kong.

Going concern

The Group has assessed the ability to continue as a going concern for a 12-month period since 30 June 2022 and is not aware of any events or conditions that may cast significant doubt upon the ability to continue as a going concern. So the financial statements have been prepared on a going concern basis.

Basis of accounting and principle of measurement

The Group has adopted accrual basis for accounting measurement. Except some financial instruments are measured at fair value, the financial statements are based on historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant regulations.

Under the historical cost convention, assets are measured at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of acquisition. Liabilities are measured according to the amount of payment or assets actually received due to the assumption of current obligations, or the contract amount of the current obligation, or in accordance with the amount of cash or cash equivalents expected to be paid in daily activities to meet liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measured and disclosed in the financial statements are determined according to the above basis.

The fair value measurement is divided into three levels based on the observability of the inputs of the fair value and the importance of the inputs to the fair value measurement as a whole:

- Level 1 inputs are the unadjusted quoted prices of the same assets or liabilities in the active market that can be obtained on the measurement date.

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the relevant asset or liability.

2. Going concern

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

(III) SIGNIFICANT ACCOUNTS POLICIES AND ACCOUNTING ESTIMATES

The principal activities of the Group are the manufacturing and sales of glass products. Therefore, the accounting policies for recognition of revenue, impairment of financial instruments, depreciation of fixed assets and amortization of intangible assets are based on the characteristics of the glass manufacturing industry.

1. Statement of Compliance with CASBE

The financial statements of the Company have been prepared in accordance with the CASBE, and present truly and completely the consolidated and the Company's financial position as at 30 June 2022 and the consolidated and the Company's results of operations, the consolidated and the Company's changes in shareholders' equity and the consolidated and the Company's cash flows in the half year of 2022.

2. Accounting Period

The accounting year of the Group is the calendar year, i.e. from 1 January to 31 December of each year.

3. Operating Cycle

Operating cycle refers to the period from the purchase of assets used for processing to the realization of cash or cash equivalents. The Group's operating cycle usually takes approximately 12 months.

4. Functional Currency

The currency used by the Company in preparing the financial statements is RMB.

5. Accounting Methods of Business Combination Involving Enterprises under Common Control and Not Involving Enterprises under Common Control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities acquired in a business combination are measured at their carrying amount of the combined party at the combination date. The difference between the carrying amount of the net assets acquired by the combining party and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued) is adjusted to share premium under capital reserve, if the share capital premium is insufficient to offset the difference, the retained earnings will be adjusted.

The costs that are directly attributable to the business combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the combination.

The cost of combination is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary fees incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other related administrative expenses attributable to the business combination are charged to profit or loss in the period in which they are incurred.

The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition conditions acquired by the acquirer in a business combination, are measured at their fair values at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as an asset as goodwill and is initially measured at cost. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference is recognised in profit or loss.

Goodwill occurred as a result of combination shall be recognised separately in the consolidated financial statements and measured at cost less accumulated impairment provision.

6. Preparation of Consolidated Financial Statements

The scope of consolidation for the consolidated financial statements is determined based on control. Control refers to the power that the investor has over the investee; it means that the investor enjoys variable returns by taking part in the relevant activities of the investee and is capable of using its power over the investee to influence the amount of return. In case of changes in the relevant elements involved in the aforesaid definition of control as a result of the changes in facts and circumstance, the Group will conduct re-assessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined in accordance with the Company's unified accounting policies and accounting periods.

All significant accounts and transactions between the Company and its subsidiaries and among the subsidiaries are eliminated on consolidation.

The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" under shareholders' equity in the consolidated balance sheet. The portion of a subsidiary's net profit or loss for the period attributable to minority interests is presented as "profit or loss attributable to minority interests" under net profit in the consolidated income statement.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion in the opening balance of owners' equity of the subsidiary, the balance is still allocated against minority interests.

A transaction is accounted for as an equity transaction when the purchase of minority interest in a subsidiary or the disposal of part of equity investment in a subsidiary does not result in the Group losing control over the subsidiary, and the carrying amount of equity attributable to the owner of the Company and minority shareholders will be adjusted to reflect the changes of their related interests in the subsidiary. The difference between the adjusted equity of minority shareholders and the fair value of the consideration paid/received is adjusted to capital reserve. If the capital reserve is insufficient to offset the difference, the retained earnings will be adjusted.

7. Recognition Criteria of Cash and Cash Equivalents

Cash equivalents are short-term (usually due within 3 months from the date of purchase), highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Translation of Foreign Currency Business and Financial Statements Denominated in Foreign Currency

8.1 Foreign currency business

Foreign currency transactions are translated at the spot exchange rate on the date of transaction at initial recognition.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that: (1) exchange differences related to special borrowings denominated in foreign currency eligible for capitalization shall be capitalized into the cost of the related assets during the capitalization period; (2) exchange differences on hedging instruments for the purpose of hedging against foreign currency risk are accounted for using hedge accounting; and (3) exchange differences arising from changes in carrying amount (other than amortised cost) of monetary items at fair value through comprehensive income are recognised in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to functional currency at the spot exchange rate at the date of the transaction. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined. The difference between the translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes in exchange rates) and is recognised in profit or loss or as other comprehensive income.

8.2 Translation of foreign currency financial statements

For the purpose of preparing the consolidated financial statements, the foreign currency financial statements of overseas operations are translated into RMB financial statements using the following method: all assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; equity items converted at the spot exchange rate at the time of occurrence; all items in the income statement and items reflecting the amount of profit distribution are translated at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions; the difference between assets and the sum of liabilities and shareholders' equity after translation is recognised in other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciliation item and presented separately in the statement of cash flows as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the actual figures of prior year are presented at the translated amounts in the prior year's financial statements.

9. Financial Instruments

The Group recognises a financial asset or a financial liability when it becomes a party to a financial instrument contract.

Where financial assets are purchased or sold in a regular way, assets to be received and liabilities to be borne are recognised on the date of transaction, or assets sold are derecognised on the date of transaction.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss in the period in which they are incurred. For other categories of financial assets and financial liabilities, the related transaction costs are included in the initially recognised amount. When the Group initially recognizes receivables that do not contain a significant financing component or do not consider the financing component in a contract not exceeding one year in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue (the "Revenue Standard"), the Group initially measures the receivables at the transaction price as defined in the Revenue Standard.

Effective interest rate method is the method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that discounts estimated future cash flows through the expected duration of a financial asset or a financial liability to the carrying amount of the financial asset or to the amortised cost of the financial liability. In determining the effective interest rate, the expected cash flow is estimated on the basis of all contractual terms of the financial asset or financial liability (such as early repayment, extension, call options or other similar options, etc.) without taking into account the expected credit loss.

The amortised cost of a financial asset or a financial liability is the amount initially recognised for a financial asset or a financial liability net of principal repaid, plus or less the cumulative amortised amount arising from amortization of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

9.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various

The Group's purpose of holding the financial assets is for trading if one of the following conditions is satisfied:

- The purpose of acquiring the financial assets is to sell the assets in the near future.

- The relevant financial assets are part of a portfolio of identified financial instruments that are centrally managed on initial recognition, and there is objective evidence of actually a recent short-term profit-taking model.

- The relevant financial assets are derivatives, except for derivatives defined under financial guarantee contracts and derivatives designated as effective hedging instruments.

Financial assets at FVTPL include financial assets classified as at FVTPL and financial assets designated as at FVTPL.

- Financial assets that do not meet the classification criteria for financial assets at amortised cost or financial assets at FVTOCI are classified as financial assets at FVTPL.

- On initial recognition, the Group may irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch or when the criteria for the hybrid contract with embedded derivatives are met.

Except for derivative financial assets, financial assets at FVTPL are presented as held-for-trading financial assets.

9.1.1 Financial assets measured at amortised cost

Financial asset at amortised cost is subsequently measured at amortised cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognised in profit or loss.

The Group recognises interest income on financial assets measured at amortised cost using the effective interest method. The Group determines the interest income based on the carrying amount of financial assets multiplied by the effective interest rate, except for:

- For purchased or originated credit impaired financial assets, the Group recognises their interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.

- For purchased or originated financial assets without credit impairment but with credit impairment incurred in subsequent periods, the Group calculates and determines its interest income based on amortised cost of the financial asset and the effective interest rate in subsequent periods. If the credit risk of the financial instrument improves in subsequent periods and the financial instrument is no longer credit impaired and the improvement can be linked to an event occurring after the application of the above requirements, the Group will determine the interest income based on the effective interest rate multiplied by the carrying amount of the financial assets.

9.1.2 Financial assets classified as at FVTOCI

Except for impairment losses or gains related to financial assets at FVTOCI, interest income calculated using the effective interest method and exchange gains and losses are recognised in profit or loss, changes in fair value of the financial assets are recognised in other comprehensive income. The amount of the financial assets included in profit or loss for each period shall be equal to the amount deemed as measured at amortised cost and included in profit or loss for each period. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and reclassified into profit or loss for the period.

After the non-tradable equity instrument investment is designated as a financial asset at FVTOCI, the changes in fair value of the financial asset are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income and recognised in retained earnings. During the period that the Group holds these non-tradable equity instrument, the dividend income is recognised and included in profit or loss when the Group's right to receive dividends has been established and the economic benefits associated with the dividends are likely to flow into the Group and the amount of the dividends can be reliably measured.

9.1.3 Financial assets at FVTPL

Financial assets at FVTPL shall be subsequently measured at fair value. Gains or losses from change in fair value and dividends and interest income related to such financial assets shall be recognised in profit or loss.

9.2 Impairment of financial instruments

The Group performs impairment accounting for financial assets measured at amortised cost and financial assets at FVTOCI based on expected credit losses ("ECL") and recognises loss allowance.

The group measures the loss reserves of all commercial acceptance, bills receivable and trade receivable formed due to the income standard in accordance with the amount equivalent to lifetime ECL.

For other financial instruments, except for purchased or originated credit impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk on the financial instrument has increased significantly since initial recognition, the Group measures its loss allowance at an amount equal to lifetime ECL of the financial instrument. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to next 12-month ECL of the financial instrument. Except for financial assets measured at FVTOCI, the increased or reversed amount of credit loss provision shall be included in profit and loss for the period as impairment loss or gain.

The Group measured loss allowance at an amount equal to the lifetime ECL of the financial instruments in the previous accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at an amount equal to next 12-month ECL at the balance sheet date for the current period, and the relevant reversal amount of loss allowance is included in profit or loss for the current period as an impairment gain.

9.2.1 Significant increase in credit risk

The Group uses reasonable and supportable forward-looking information that is available to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For loan commitments and financial guarantee contracts, the Group uses the date on which it becomes the party making the irrevocable undertaking as the initial recognition date when applying provisions for financial instrument impairment.

The Group will take the following factors into consideration when assessing whether the credit risk has significantly increased:

(1) Whether the external market indicators of credit risk for the same financial instrument or similar financial instruments with same expected life have changed significantly. These indicators include: credit spread, credit default swap prices for borrowers.

(2) Whether the debtor's internal credit rating is actually lowered or is expected to be lowered.

(3) Adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its debt obligations.

(4) Whether the actual or expected operating results of the debtor has changed significantly.

(5) Whether the regulatory, economic or technological environment in which the debtor is located has undergone significant adverse changes.

Irrespective of a significant increase in credit risk since above assessment, the credit risk of the financial instrument is considered to have increased significantly when the contractual payments are past due more than 30 days (inclusive).

As at the balance sheet date, if the Group judges that the financial instrument solely has lower credit risk, the Group will assume that the credit risk of the financial instrument has not significantly increased since initial recognition. If the default risk of a financial instrument is low, and the borrower is highly capable of meeting its contract cash flow obligations in short term, the financial instrument is considered to have a lower credit risk even if there is a negative change in the economic situation and operating environment over a longer period of time, but it may not necessarily reduce the borrower's performance of its contract cash obligations.

9.2.2 Credit impaired financial assets

A financial asset is credit impaired when one or more events that have an adverse impact on the estimated future cash flows of the financial asset occurred. Evidence that a financial asset is credit impaired includes the following observable information:

(1) Significant financial difficulty of the issuer or the debtor;

(2) The debtor breaches the contract, such as default or overdue on interest or principal payment;

(3) The creditor, for economic or contractual reasons relating to the financial difficulties of the debtor, granted to the debtor a concession that the creditor would not otherwise consider;

(4) The debtor is likely to enter bankruptcy or other financial reorganization;

(5) The active market for the financial asset disappeared due to the financial difficulties of the issuer or the debtor.

Based on the Group's internal credit risk management, the Group considers an event of default occurs when information proposed internally or obtained externally indicates that the debtor of the financial instrument is unable to pay its creditors (including the Group) in full (without taking into account any guarantees obtained by the Group).

Irrespective of the above assessment, the Group presumes that default has occurred when the contractual payments for a financial instrument are past due for more than 90 days (inclusive).

9.2.3 Determination of ECL

The Group uses impairment matrix to determine the credit loss of related financial instruments on the basis of combination of bills receivable, financing receivables, trade receivable and other receivables. The Group divides financial instruments into different groups based on common risk features. The common credit risk features adopted by the Group include: type of financial instruments, credit risk rating, initial recognition date, etc.

The Group determines ECL of relevant financial instruments according to the following methods:

- For financial assets, the credit loss shall be the present value of the difference between the contractual cash flow to be received by the Group and the expected cash flow to be received.

- As for the financial assets with credit impairment occurred on the balance sheet date but not purchased or generated, the credit loss is the difference between the book balance of the financial assets and the present value of the estimated future cash flow discounted at the original effective interest rate.

- For a financial guarantee contract, the credit loss is the estimated payment made by the Group for the credit loss incurred by the contract holder, less the present value of the difference between the amount expected to be collected by the Group from the contract holder, debtor or any other party.

The factors reflected in the Group's methods of measuring ECL of financial instruments include: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of money; the reasonable and supportable information about past events, current situation and future economic situation forecast that is available without undue costs or efforts on the balance sheet date.

9.2.4 Write-down of financial assets

When the Group no longer reasonably expects that the contractual cash flow of the financial assets can be recovered in whole or in part, the book balance of the financial assets shall be written down directly. Such write down constitutes derecognition of related financial assets.

9.3 Transfer of financial assets

A financial asset is derecognised when one of the following conditions is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset has been transferred to the transferee; or (3) the financial asset has been transferred, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it does not retain control over the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards acts.

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9.4 Classification and measurement of financial liabilities and equity instruments

Based on the contractual terms of the financial instruments issued and the economic substance rather than only the form of legal contracts reflected, along with the definition of financial liabilities and equity instruments, the Group classifies the financial instruments or its components as financial liability or equity instrument at initial recognition.

9.4.1 Classification, recognition and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

9.4.1.1 Financial liabilities at FVTPL

Financial liabilities at fair value through profit and loss include held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at FVTPL. In addition to the derivative financial liabilities listed separately, financial liabilities at FVTPL are listed as transactional financial liabilities.

The Group's purpose of undertaking the financial liabilities is for trading if one of the following conditions is satisfied:

- The purpose of undertaking relevant financial liabilities is mainly for the recent repurchase.

- The relevant financial liabilities are part of a portfolio of identified financial instruments that are centrally managed on initial recognition, and there is objective evidence of actually a recent short-term profit-taking model.

- The relevant financial liabilities are derivatives, except for derivatives defined under financial guarantee contracts and

The Group may designate, on initial recognition, a financial liability as at FVTPL if one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces an accounting mismatch; (2) manage and evaluate the financial liability portfolio or the portfolio of financial assets and financial liabilities at fair value based on the risk management or investment strategy as stated in the official written documents of the Group, and report to key management of the Group internally; or (3) a qualified hybrid contract containing embedded derivatives.

Held-for-trading financial liabilities are subsequently measured at fair value, and any gains or losses arising from changes in fair value and dividends or interest expenses paid on the financial liabilities are recognised in profit or loss for the period.

For financial liabilities designated at fair value through profit or loss, changes in the fair value of such financial liabilities arising from changes in the Group's own credit risk are recognized in other comprehensive income and changes in other fair values are recognized in profit or loss in the current period. On de-recognition of the financial liability, the cumulative change in fair value attributable to changes in own credit risk previously recognized in other comprehensive income is transferred to retained earnings. Dividends or interest expenses related to these financial liabilities are recognized in profit or loss for the period. If the treatment of the effects of changes in the own credit risk of such financial liabilities as described above would cause or enlarge an accounting mismatch in profit or loss, the Group recognizes the entire gain or loss on such financial liabilities (including the amount of the effect of changes in own credit risk) in profit or loss for the period.

9.4.1.2 Other financial liabilities

Other financial liabilities other than financial liabilities arising from

9.4.2 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. Where an agreement between the Group as borrower and lender is signed to replace the original financial liability and the contractual terms of the new financial liability and the original financial liability are substantially different, the Group derecognised the original financial liability and recognised the new financial liability.

On derecognition of a financial liability in its entirety or partially, the difference between the carrying amount of the part derecognised and the consideration paid (including any non-cash asset transferred or new financial liability assumed) is recognised in profit or loss for the period.

9.4.3 Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinancing), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognises the distribution to holders of the equity instruments as profit distribution, dividends paid do not affect total amount of shareholders' equity.

9.5 Derivative instruments and embedding derivatives

Derivative instruments including forward foreign exchange contracts, currency swap contracts and interest rate swap contracts, etc. Derivatives are initially measured at fair value on the signing dates of the relevant contracts and subsequently measured at fair value. The changes in fair value of the derivatives are recognised in profit or loss for the period.

9.6 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in balance sheet when the Group has a legally enforceable right to set off the recognised financial assets and financial liabilities, and the Group intends to settle with net amount, or realise the financial asset and settle the financial liability simultaneously. Otherwise, the financial assets and financial liabilities will be presented separately in balance sheet and will not be mutually set off.

9.7 Convertible bonds

The convertible bonds issued by the Group which contain liabilities and conversion options, shall be split upon initial recognition and recognised separately. Of which, conversion options for settlement of fixed amount of cash or other financial assets in exchange for fixed amount of self-equity instruments is accounted for as equity instruments.

On initial recognition, the fair value of the liability portion is determined at current market prices similar to those of bonds without conversion options. The difference between the overall issue price of convertible bonds and the fair value of the liability portion shall be taken as the value of the conversion options of the bondholders to convert the bonds into equity instruments and recorded in other equity instruments.

In the subsequent measurement, the liability portion of convertible bonds are measured at amortised cost using the effective interest rate method. The value of the conversion option divided into equity instruments continues to be retained in the equity instruments. No loss or gain is incurred when a convertible bond expires or is converted.

The transaction costs incurred in issuing convertible bonds shall be apportioned between the liability component and the equity component according to their respective fair value. Transaction costs related to the equity component are directly recorded in the equity instruments; transaction costs related to the liability component are recorded in the carrying amount of the liability and amortized over the term of the convertible bonds using the effective interest rate method.

10. Receivables

The methods for determining expected credit loss of bills receivables and accounting treatment methods:

See 9.2 for relevant accounting polices.

11. Account receivables

The methods for determining expected credit loss of account receivables and accounting treatment methods:

See 9.2 for relevant accounting polices.

12. Financing receivables

For notes receivable classified as at FVTOCI, the portion within one year (inclusive) from the date of acquisition is presented as financing receivables. For details of the relevant accounting policies, please refer to 9.1, 9.2 and 9.3.

13. Other receivables

The methods for determining expected credit loss of other receivables and accounting treatment methods:

See 9.2 for relevant accounting polices.

14. Inventories

14.1 Classification of inventories

The Group's inventories mainly include raw materials, low-value consumables, works in progress and finished goods, etc. Inventories are initially measured at cost, which comprises purchase costs, processing costs and other expenses incurred in bringing the inventories to their current location and condition.

14.2 Pricing of inventories delivered

The actual cost of inventories upon delivery is calculated using the weighted average method.

14.3 Determination of net realisable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for impairment of inventories is made.

Net realisable value is the estimated selling price of inventories in the ordinary course of business less the estimated costs to completion, estimated selling expenses and related taxes. Net realisable value of inventories is determined on the basis of clear evidence obtained, taking into account the purpose of holding inventories and the effect of events after the balance sheet date.

Provision for impairment of inventories is made based on the excess of cost over net realisable value of individual inventory item.

After the provision for impairment of inventories is made, if the circumstances that previously caused inventories to be written-off no longer exist so that the net realisable value of inventories is higher than their carrying amount, the original provision for impairment of inventories is reversed and the reversed amount is recognised in profit or loss for the period.

14.4 Inventory system

The inventory system is a perpetual inventory system.

14.5 Amortization of low-value consumables

Low-value consumables are amortised using one-off write-off method.

15. Assets Held for Sale

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

Non-current assets or disposal groups held for sale are required to satisfy the following conditions: (1) an immediate sale can be made under the current conditions according to the practice of selling such assets or disposal groups in similar transactions; and (2) it is highly probable that a sale will occur, that is, the Group has made a resolution on a sale plan and obtained a definite purchase commitment, and the sale is expected to be completed within one year.

The Group measures non-current assets or disposal groups held for sale at the lower of carrying amount and fair value less costs to sell. If the carrying amount is higher than the net amount of the fair value less costs to sell, the carrying amount shall be written-off to the fair value less costs to sell, the amount written-off is recognised as an impairment loss of assets and included in profit or loss for the period, and the provision for impairment of assets held for sale is made simultaneously. Where there is an increase in the net amount of fair value less costs to sell of non-current assets held for sale at the subsequent balance sheet date, the amount previously written-off should be recovered and reversed in the amount of impairment loss recognised for the assets after being classified as held for sale, and the reversed amount is included in profit or loss for the period.

Depreciation or amortization shall not be made for non-current assets in the non-current assets or disposal groups held for sale. The interest of liabilities and other expenses in the disposal groups held for sale shall be continuously recognised.

The equity investments in associates are classified in whole or in part as assets held for sale. The part of such equity investments in associates classified as held for sale will cease to calculate using equity method from the date of being classified as held for sale.

16. Long-term Equity Investments

16.1 Basis of determination of joint control and significant influence

Control refers to the power of investor over the investee, who enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power over the investee to influence the amount of returns. Joint control refers to the joint control over an arrangement according to relevant agreements, and the related activities of the arrangement can only be decided after the consensus of the parties sharing the control. Significant influence refers to the power to participate in the decision-making of the financial and operational policies of the investee, but cannot control or jointly control the formulation of these policies with other parties. In determining whether it is possible to exercise control over or exert significant influence over the invested entities, it has taken into account the potential voting right factors such as the current convertible bonds and the current executable warrants of the invested entities held by the investor and other parties.

16.2 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost is the attributable share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination. The difference between the initial investment cost of a long-term equity investment and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed is adjusted to capital reserve. If the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted. Where the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost is the attributable share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination, and the total nominal value of the shares issued is recognised as share capital. The difference between the initial investment cost of a long-term equity investment and the total nominal value of the shares issued is adjusted to capital reserve. If the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted. Other comprehensive income recognised for the previously held equity investments by accounting treatment of equity method or investments in non-trading equity instruments designated as at FVTOCI is not subject to accounting treatment temporarily.

For a long-term equity investment acquired through a business combination not involving enterprises under common control, the initial investment cost is the combination cost at the date of acquisition. If the equity investment previously held was classified as investments in non-trading equity instruments designated as at FVTOCI, the difference between the fair value and carrying amount, together with the accumulated fair value previously included in other comprehensive income are transferred to retained earnings.

The intermediary expenses incurred by the acquirer or purchaser in respect of auditing, legal services, valuation and consultancy services, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss in the period in which they are incurred.

The long-term equity investment acquired other than through a business combination is initially measured at its cost.

16.3 Subsequent measurement and recognition of profit or loss

16.3.1 Long-term equity investments accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the financial statements of the Company. A subsidiary is an investee that is controlled by the Group.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. The current investment income is recognised in accordance with the cash dividends or profit distributions declared by the investee.

16.3.2 Long-term equity investment accounted for by equity method

The Group's investment in associates is accounted for by equity method. Associates refer to invested entities to which the Group can exert a significant influence.

When adopting equity method accounting, if the initial investment cost of long-term equity investment exceeds the share of the fair value of identifiable net assets of the invested entity at the investment date, no adjustment shall be made to the initial investment cost of long-term equity investment. If the initial investment cost is less than the share of the fair value of identifiable net assets of the invested entity at the investment date, the difference shall be charged to current profit or loss, and the long-term equity investment cost shall be adjusted at the same time.

When adopting equity method accounting, the investment income and other comprehensive income shall be recognised separately according to the share of net profit or loss and other comprehensive income realised by the invested entity, and the carrying amount of long-term equity investment shall be adjusted at the same time; the carrying amount of long-term equity investment shall be reduced accordingly by calculating the portion to be enjoyed according to the profit or cash dividend declared by the invested entity; the carrying amount of long-term equity investment shall be adjusted and included in the capital reserve for other changes in the owner's rights and interests of the invested entity except net profit or loss, other comprehensive income and profit distribution. When recognising the share of the net profit or loss of the invested entity, the net profit of the invested entity shall be adjusted and recognised on the basis of the fair value of the identifiable assets of the invested entity at the acquisition date. If the accounting policies and periods adopted by the invested entity are inconsistent with those of the Company, the financial statements of the invested entity shall be adjusted in accordance with the accounting policies and period of the Company. The investment income and other comprehensive income shall be recognised accordingly. For transactions between the Group and associates, the assets invested or sold do not constitute business, and the unrealised gains and losses of internal transactions are offset by the shareholding attributable to the Group. On this basis, the investment gains and losses are recognised. However, the unrealised internal transaction losses between the Group and the invested entity shall not be offset if they belong to the impairment losses of the transferred assets.

The Group discontinues recognising its share of net losses of the invested entity after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the invested entity is reduced to zero. In addition, if the Group has incurred obligations to assume additional losses of the invested entity, estimated liability is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the invested entity, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

16.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the carrying amount and the actual purchase price is recognised in profit or loss for the period.

17. Investment Properties

Investment properties are properties held for the purpose of earning rentals or capital appreciation, or both. Investment properties include leased land use rights, land use rights held and prepared for transfer after appreciation, buildings leased out, etc.

Investment properties are initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other subsequent expenditures on an investment property shall be included in profit or loss for the current year when incurred.

The Group adopts the cost model for subsequent measurement of investment properties, and investment properties are depreciated or amortised based on the same policy consistent with houses and buildings or land use rights.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the property net of the carrying amount and related taxes is recognised in profit or loss for the period

18. Fixed Assets

(1) Conditions of recognition

Fixed assets are tangible assets that are held for use in the production of goods or supply of services, for rental to others, or for administrative purposes and have a useful life of more than one accounting year. A fixed asset is recognised only when the economic benefits associated with the asset are probable to flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset if it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably, and the carrying amount of the replaced part is derecognised. Other subsequent expenditures other than the above are charged to profit or loss for the current period when incurred.

(2) Depreciation methods

Class	Depreciation Method	Depreciation Period (Years)	Residual Value Rate	Annual Depreciation Rate (%)
Houses and buildings	straight-line depreciation	20	5%	4.75%
Machinery and equipment	straight-line depreciation	4–10	5%	9.50%-23.75%
Transportation equipment	straight-line depreciation	4–5	5%	19.00%-23.75%
Other equipment	straight-line depreciation	3–5	5%	19.00%-31.67%

19. Construction in Progress

Construction in progress is measured at actual cost, which includes various construction expenditures incurred during the construction period, capitalized borrowing costs before the construction is ready for its intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to fixed asset while it is ready for its intended use.

20. Borrowing Costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised when expenditures for the asset are being incurred, borrowing costs are being incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. The capitalisation of qualifying assets under construction or production ceases when the assets are ready for their intended use or sale. The remaining borrowing costs are recognised as expenses in the period in which they are incurred.

Where funds are borrowed under a special borrowing, the amount to be capitalised is the actual interest expense incurred on that borrowing for the period less any interest income earned from depositing the unused borrowing funds into bank or any investment income on the temporary investment of those funds. Where funds are borrowed under a general borrowing, the amount capitalised is determined by applying the weighted average of the excess amounts of cumulative expenditures on the asset over the special borrowings multiplied by the capitalization rate of the general borrowings used. The capitalization rate is determined based on the weighted average interest rate of the general borrowings. During the capitalisation period, the exchange differences on special foreign currency borrowings are all capitalised; the exchange differences on general-purpose foreign currency borrowings are recognised in profit or loss for the period.

21. Intangible assets

(1) Methods, Useful life, Impairment Test

Intangible assets include software, pollutant discharge rights, mining rights and land use rights, etc.

The intangible assets shall be initially measured at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. Intangible assets are not amortised while their useful lives are assessed to be indefinite. The amortization method, useful life and estimated net residual value rate of each class of intangible assets are as follows:

Class	Amortization method	Useful life (Years)	Residual Value Rate (%)
Land use rights	Straight line method	42–50	–
Pollutant discharge rights	Straight line method	5–20	–
Mining rights	Output method	–	–
Software	Straight line method	5–10	–

At the end of the year, the useful life and amortization method of intangible assets with finite useful lives are reviewed and adjusted if necessary.

(2) Internal research and development expenditures

Expenditures incurred in the research stage are recognised in profit or loss for the period.

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

(1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

(2) The intention to complete the intangible asset and use or sell it;

(3) The way in which the intangible asset generates economic benefits, including the ability to prove that there is a market for the product produced using the intangible asset or the intangible asset itself has a market, and prove its usefulness if the intangible asset will be used internally;

(4) Adequate technical, financial and other resources to complete the development of the intangible asset and to use or sell the intangible asset;

(5) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

If the expenditures cannot be distinguished between the research stage and development stage, the Group recognises all of them in profit or loss for the period. The cost of the intangible asset formed by internal development activities only includes the total expenditure incurred from the time when the capitalization conditions are met to the time when the intangible asset reaches the intended purpose. The expenditures that have been expensed into profit and loss before the capitalization conditions are met for the same intangible asset in the development process will not be adjusted.

22. Impairment of Long-term Assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, investment properties, fixed assets, construction in progress measured using the cost method and intangible assets with finite useful lives may be impaired. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

If the estimated recoverable amount of an asset is based on a single asset and it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The recoverable amount is the higher of an asset's or asset Group's fair value less costs of disposal and the present value of the estimated future cash flows.

If the recoverable amount of an asset is less than its carrying amount, a provision for impairment of the asset is made based on the difference and recognised in profit or loss for the period.

An impairment loss once recognised shall not be reversed in a subsequent accounting period.

23. Long-term Deferred Expenses

Long-term deferred expenses are expenses which have incurred but shall be amortised over the current period and subsequent periods of more than one year. Long-term deferred expenses are amortised evenly over the estimated benefit period.

24. Contract Liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract assets and contract liabilities under common contract are presented on a net basis.

25. Employee Compensation

(1) Accounting for short-term employee compensation

In the accounting period in which an employee has rendered services, the Group recognises the short-term employee compensation actually incurred as liabilities, and includes in profit or loss for the period or related asset costs. The employee benefits expenses incurred by the Group are recognised in profit or loss for the period or related asset costs based on the actual amount when actually incurred. The non-monetary employee benefits expenses are measured at fair value.

In determining the corresponding amount of employee compensation, social security contributions such as medical insurance, work injury insurance and maternity insurance and housing funds, as well as labour union running expenses and employee education expenses provided by the Group are calculated according to the prescribed provision bases and percentages during the accounting period in which the employees provide services to the Group, and the corresponding liabilities are recognised, and included in profit or loss for the period or related asset costs.

(2) Accounting for post-employment benefits

Post-employment benefits are all defined contribution plans.

In the accounting period in which an employee has rendered service, the Group recognises the amount payable under the defined contribution plan as a liability, and includes in profit or loss for the period or related asset costs.

(3) Accounting for termination benefits

When the Group provides termination benefits to employees, employee compensation liabilities arising from termination benefits are recognised in profit or loss at the earlier of the following dates: when the Group cannot unilaterally withdraw the termination benefits provided because of an employee termination plan or a layoff proposal, or when the Group confirms the costs or expenses related to the restructuring involving the payment of dismiss benefits.

27.2 Accounting treatment in relation to implementation, modification and termination of share-based payment plan

When the Group modifies the share-based payment plan, and if such modification increases the fair value of the equity instruments granted, the increase in services received will be recognised accordingly following the increase in fair value of the equity instruments. If the modification increases the number of the equity instruments granted, the increase in fair value of the equity instruments will be recognized accordingly as the increase in services received. The increase in fair value of the equity instruments refers to the difference in fair value on the date of modification before and after the modification in respect of the equity instruments. If the modification reduces the total fair value of the share-based payments or adopts any form that is unfavorable to employees to modify the terms and conditions of the share-based payment plan, accounting treatment will be continued to be conducted in respect of the services received and the modification will be deemed to have never occurred, unless the Group had cancelled part or all of the equity instruments granted.

During the pending period, if the equity instruments granted are cancelled, the Group will undertake an accelerated vesting in respect of the cancelled equity instruments that had been granted, include the remaining amount that shall be recognised during the pending period in the profit and loss for the period immediately and recognise capital reserve accordingly. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, the Group will treat the granted equity instruments as cancelled.

28. Revenue

The Group's revenue is mainly derived from the sales of glass products, which mainly include photovoltaic glass, household glass, architectural glass, float glass and mining products, etc. Revenue from other business mainly represents rental income from properties and sales income of materials.

The Group recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

For the performance obligations to be performed during a certain period of time, the Group recognises revenue over time by reference to the progress of a performance obligation if one of the following criteria is met: (1) the customer receives and consumes the economic benefits brought by the Group while performing obligations; (2) the customer can control the goods under construction during the performance of the Group; (3) the goods produced during the performance of the Group have irreplaceable uses, and the Group has the right to receive payment for the part of the completed performance so far throughout the contract period. Otherwise, the Group will recognise revenue at the time point when the customer obtains control over relevant goods or services.

29. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of monetary asset, it shall be measured at the amount received or receivable.

29.1 Judgement basis and accounting treatment of government grants related to assets

Such grants are government grants as they related to fixed assets that were built or acquired.

A government grant related to assets is recognised as deferred income and included in current profit or loss over the useful life of the related asset using the straight-line method.

29.2 Judgement basis and accounting treatment of government grants related to revenue

As they are directly related to the expenses incurred during the period, such government grants are government grants related to revenue.

A government grant related to revenue used to compensate for relevant costs, expenses and losses in subsequent periods is recognised as deferred income, and is included in profit or loss for the period directly over the periods in which the relevant costs, expenses or losses are recognised. The government grants related to revenue used to compensate for relevant costs, expenses and losses already incurred is included in profit or loss for the period directly.

The government grants related to the Group's daily activities are included in other income/offset the relevant costs and expenses according to the nature of economic business. Otherwise, government grants are included in non-operating income or expense.

30.3 Offsetting of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

31. Lease

Lease is defined as a contract that the lessor transfers the right-of-use of assets to the lessee within a certain period of time in exchange for consideration.

For a contract entered into or changed after the date of initial adoption, the Group assesses whether the contract is or contains lease on the commencement or changing date of the contract. The Group does not reassess unless the terms and conditions of the contract are changed.

31.1 The Group as lessee

31.1.1 Separation of leases

For a contract that contains one or more lease or non-lease components, the Group separates each individual lease component from non-lease components and allocates the consideration in the contract to each lease component on the basis of the stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

31.1.2 Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease. The lease commencement date refers to the starting date for the lessor to provide leased assets for use by the Group. Right-of-use assets are initially measured at cost. Such cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less the relative amount of any lease incentives enjoyed if there are lease incentives;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms of the lease.

The Group accrues depreciation for the right-of-use assets according to the relevant depreciation regulations of Accounting Standards for Business Enterprises No. 4 – Fixed Assets. Right-of-use assets are depreciated within the remaining useful lives when the Group is reasonably certain to obtain the ownership of leased assets at the end of the lease term. The depreciation is provided during the period between the lease term and the remaining useful lives of the leased assets if it is not.

The Group determines whether the right-of-use assets are impaired and performs accounting treatment for recognised impairment loss according to the relevant regulations of Accounting Standard for Business Enterprise No. 8 – Impairment of Assets.

31.1.3 Lease liabilities

Except for short-term leases, the Group initially measures the lease liability at the present value of lease payments that are unpaid at the lease commencement date. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as discount rate, and adopts the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

The lease payments refer to the amount paid by the Group to the lessor in relation to the right to use the leased asset during the lease term, including fixed payments and in-substance fixed payments.

The Group calculates the interest expense of lease liabilities for each period of the lease term at a fixed periodic interest rate and includes it in profit and loss for the period or related asset costs after the lease commencement date.

31.1.4 Short-term leases and low-value leases

For short-term leases of machinery and equipment, the Group chooses the right-of-use assets and lease liabilities that are not certain to use. Short-term lease is defined as a lease has a lease term of no more than 12 months and excludes a purchase option from the lease commencement date. The Group will include the lease payments for short-term leases in profit or loss for the period or related asset costs using the straight-line method.

31.2 The Group as lessor

31.2.1 Classification of leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially almost all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Name	Tax rate (%)
The Company	15%
浙江福萊特玻璃有限公司 Zhejiang Flat Glass Co., Ltd.	25%
浙江嘉福玻璃有限公司 Zhejiang Jiafu Glass Co., Ltd.	15%
上海福萊特玻璃有限公司 Shanghai Flat Glass Co., Ltd	25%
安徽福萊特光伏玻璃有限公司 Anhui Flat Solar Glass Co., Ltd	15%
安徽福萊特光伏材料有限公司 Anhui Flat Solar Material Co., Ltd	25%
福萊特(香港)有限公司 Flat (Hong Kong) Limited	Note 1
嘉興福萊特新能源科技有限公司 Jiaxing Flat New Energy Technology Co., Ltd	25%
福萊特(越南)有限公司 Flat (Vietnam) Company Limited	0%

Note 1: Profit before tax not exceeding HK$2,000,000 (inclusive) is subject to a tax rate of 8.25%, while the portion of profit before tax exceeding HK$2,000,000 is subject to a tax rate of 16.5%.

2. Tax Preferences

The Company

On 4 December 2019, the Company obtained the "High Technology Enterprise Certificate" (No. GR201933003682) jointly approved by the Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service, State Taxation Administration for a valid period of three years, pursuant to which, the EIT rate of 15% is applied from 2019 to 2021.

Zhejiang Jiafu Glass Co., Ltd.

On 4 December 2019, Zhejiang Jiafu Glass Co., Ltd. obtained the "High Technology Enterprise Certificate" (No. GR201933001492) jointly approved by the Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service, State Taxation Administration for a valid period of three years, pursuant to which, the EIT rate of 15% is applied from 2019 to 2021.

Anhui Flat Solar Glass Co., Ltd.

On 17 August 2020, Anhui Flat Solar Glass Co., Ltd. obtained the "High Technology Enterprise Certificate" (No. GR202034000476) jointly approved by the Science and Technology Department of Anhui Province, Anhui Provincial Department of Finance, the State Taxation Bureau of Anhui Province and the Local Taxation Bureau of Anhui Province, for a valid period of three years, pursuant to which, the EIT rate of 15% is applied from 2020 to 2022.

Jiaxing Flat New Energy Technology Co., Ltd.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure and Environmental Protection, Energy and Water Saving Projects (Caishui [2012] No. 10), Jiaxing Flat New Energy Technology Co., Ltd. is exempted from EIT for the first year to the third year from the tax year in which the first operation income is obtained, and the EIT is reduced by 50% in the fourth to sixth years.

Flat (Vietnam) Company Limited

Pursuant to the Project Investment License approved by the Vietnam Haiphong Economic Zone Authority on 30 June 2016, Flat (Vietnam) Company Limited is exempted from EIT for four years commencing from the first profit-making year, followed by a 50% reduction in EIT for the next nine years. Flat (Vietnam) Company Limited has made profits from 2022.

(V) NOTES TO THE CONSOLIDATED STATEMENTS

1. CASH AT BANK AND ON HAND

RMB

Items	Closing balance	Opening balance
Cash on hand	**23,680.28**	37,595.74
Cash at bank	**3,244,801,691.06**	2,101,693,083.72
Other cash at bank and on hand	**778,425,138.48**	740,946,588.02
Total	**4,023,250,509.82**	2,842,677,267.48
Including: total amount deposited abroad	**174,785,147.22**	238,902,274.63

2. TRADING FINANCIAL ASSETS

RMB

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss	**700,000,000.00**	200,000,000.00
Including: Bank wealth management products	**700,000,000.00**	200,000,000.00
Total	**700,000,000.00**	200,000,000.00

3. DERIVATIVE FINANCIAL ASSETS

RMB

Items	Closing balance	Opening balance
Derivative financial asset without specified hedging relationship		
Including: Forward foreign exchange contract (Note)	–	62,739.00
Total	–	62,739.00

Note: The unexpired forward foreign exchange contracts is not designated as hedging instruments, and the gains or losses arising from changes in fair value are directly included in profit and loss for the period.

4. BILLS RECEIVABLES

(1) Bills receivables by category

RMB

Items	Closing balance	Opening balance
Bank acceptance bills	**1,506,620,147.82**	834,875,954.38
Commercial acceptance bills	**519,224,504.02**	107,583,256.08
Less: credit impairment provision	**9,138,351.27**	2,711,098.05
Total	**2,016,706,300.57**	939,748,112.41

(2) Bills receivables that have been endorsed or discounted by the Group but not yet due at the balance sheet date

RMB

Items	Amount not derecognized at the end of the half year
Endorsed bank acceptance bills	1,209,023,929.58
Discounted bank acceptance bills	15,547,866.84
Total	1,224,571,796.42

(3) At the end of the half year, the Group had no bills transferred to trade receivables due to the drawer's failure to perform.

(4) Disclosed by classification of credit loss provision method

RMB

	Closing balance				
	Book balance		Bad debt provision		Book value
Classification	Amount	Percentage (%)	Amount	Accrual Percentage (%)	
Bad debt provision by portfolio					
Including:					
Bank acceptance bills	1,506,620,147.82	74.37	–	–	1,506,620,147.82
Commercial acceptance bills	519,224,504.02	25.63	9,138,351.27	1.76	510,086,152.75
Total	2,025,844,651.84	/	9,138,351.27	/	2,016,706,300.57

	Opening balance				
	Book balance		Bad debt provision		Book value
Classification	Amount	Percentage (%)	Amount	Accrual Percentage (%)	
Bad debt provision by portfolio					
Including:					
Bank acceptance bills	834,875,954.38	88.58	–	–	834,875,954.38
Commercial acceptance bills	107,583,256.08	11.42	2,711,098.05	2.52	104,872,158.03
Total	942,459,210.46	/	2,711,098.05	/	939,748,112.41

Bills receivables with credit loss provision by portfolio

RMB

Name	Closing balance		
	Bills receivables	Bad debt provision	Accrual Percentage
Low risk	1,506,620,147.82	–	–
Normal	519,224,504.02	9,138,351.27	1.76
Total	2,025,844,651.84	9,138,351.27	0.45

The Group believes that the accepting banks with higher credit ratings hold the bank acceptance bills and there is no significant credit risk, so no impairment allowance for credit loss is made.

(5) Credit loss provision

RMB

Classification	Opening balance	Changes in amount for the half year		Closing balance
		Provision	Transferred	
Normal	2,711,098.05	9,138,351.27	2,711,098.05	9,138,351.27
Total	2,711,098.05	9,138,351.27	2,711,098.05	9,138,351.27

(6) Bad debt condition

Category	Opening balance	Changed amounts in the current period		Closing balance
		Provision	Transferred	
Normal	2,711,098.05	9,138,351.27	2,711,098.05	9,138,351.27
Total	2,711,098.05	9,138,351.27	2,711,098.05	9,138,351.27

(2) Listing of short-term remuneration

RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	61,966,998.51	257,482,459.00	271,237,994.76	48,211,462.75
II. Staff welfare	(45,540.00)	12,794,977.98	12,749,437.98	–
III. Social insurance	764,463.84	13,474,140.26	12,648,161.01	1,590,443.11
Including: Medical insurance	852,653.87	11,565,483.93	11,045,090.58	1,373,047.24
Work-related injury insurance	(124,829.85)	1,632,192.71	1,339,514.49	167,848.37
Maternity insurance	36,639.82	276,463.62	263,555.94	49,547.50
IV. Housing funds	674,036.00	6,199,563.00	6,182,954.00	690,645.00
V. Education funds & labor union	2,930,694.68	4,922,421.75	7,718,744.80	134,371.63
Total	66,290,653.03	294,873,561.99	310,537,292.55	50,626,922.49

(3) Listing of defined contribution plan

RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension insurance	1,194,514.09	23,326,898.79	22,916,199.62	**1,605,213.26**
2. Unemployment insurance	34,535.47	842,363.55	832,313.80	**44,585.22**
Total	1,229,049.56	24,169,262.34	23,748,513.42	**1,649,798.48**

Defined contribution plan:

The Group participates in pension insurance and unemployment insurance schemes established by government agencies as required. According to these schemes, the Group pays monthly fees to these plans at 14% and 0.5% of the employees' basic wages. Except for the above monthly paid fees, the Group does not undertake further payment obligations. The corresponding expenses are recognised in profit or loss in the period in which they are incurred.

During the period from 1 January to 30 June 2022, the Group should pay a total of RMB22,916,199.62 and RMB832,313.80 to the pension insurance and unemployment insurance schemes respectively. As of 30 June 2022, there were RMB1,605,213.26 and RMB44,585.22 that had been accrued but unpaid for the pension insurance and unemployment insurance schemes. The payables have been paid after the report period.

25. TAXES PAYABLE

RMB

Items	Closing balance	Opening balance
Enterprise income tax	**137,540,553.53**	11,387,361.66
VAT	**60,173,597.79**	11,359,752.88
Land use tax	**10,598,995.91**	9,461,877.50
City maintenance and construction tax	**3,594,770.01**	2,130,901.26
Education surtax and local education surtax	**2,176,228.58**	1,746,134.73
Individual income tax	**444,435.38**	643,392.80
Others	**21,898,869.02**	11,900,066.02
Total	**236,427,450.22**	48,629,486.85

26. OTHER PAYABLES

Items

RMB

Items	Closing balance	Opening balance
Interest payable	**7,398,469.04**	4,225,184.38
Dividends payables	**791,200.00**	791,200.00
Other payables	**672,485,580.43**	131,648,032.65
Total	**680,675,249.47**	136,664,417.03

(1) Interest payables

RMB

Items	Closing balance	Opening balance
Interest for long-term borrowings with interest paid in installment and principal paid due to maturity	**4,707,174.52**	2,297,774.10
Interest payable for short-term borrowings	**1,310,472.60**	1,927,410.28
Interest payable for Convertible Bonds	**1,380,821.92**	–
Total	**7,398,469.04**	4,225,184.38

(2) Dividends payables

RMB

Items	Closing balance	Opening balance
Dividends on ordinary shares	**791,200.00**	791,200.00
Total	**791,200.00**	791,200.00

(3) Other payables

RMB

Items	Closing balance	Opening balance
Equity interests acquisition payments	**520,947,600.00**	–
Warranty	**74,245,605.06**	77,755,114.87
Transportation premium	**23,755,790.41**	15,828,272.51
Restricted share incentive schemes	**30,104,000.00**	32,096,200.00
Others	**23,432,584.96**	5,968,445.27
Total	**672,485,580.43**	131,648,032.65

At the end of the period, the Group had no other payables with an ageing of more than one year and a significant amount.

27. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

RMB

Items	Closing balance	Opening balance
Long-term borrowings due within 1 year	**1,006,528,929.80**	310,100,070.52
Long-term payables due within 1 year	**52,220,000.00**	–
Lease liabilities due within 1 year	**635,514.93**	–
Total	**1,059,384,444.73**	310,100,070.52

28. LONG-TERM BORROWINGS

(1) Categories of long-term borrowings

RMB

Items	Closing balance	Opening balance
Pledged borrowings	**902,428,929.80**	998,412,983.63
Secured borrowings	**3,196,000,000.00**	1,278,800,000.00
Less: pledged borrowings due within 1 year	**902,428,929.80**	303,864,555.59
Less: secured borrowings due within 1 year	**104,100,000.00**	5,600,000.00
Total	**3,091,900,000.00**	1,967,748,428.04

29. BONDS PAYABLES

(1) Bonds payables

RMB

Item	Closing balance	Opening balance
Bonds payables	**3,660,546,167.06**	

sSCN1.5

(3) Description of conditions and timing of conversion for convertible bonds

Approved by CSRC Approval [2022] No. 664, the Group issued 40 million convertible bonds with a nominal value of RMB100 on 20 May 2022. The annual coupon rate shall be 0.3% in the first year, 0.5% in the second year, 1.0% in the third year, 1.5% in the fourth year, 1.8% in the fifth year and 2% in the sixth year. The payment method that interest shall be paid on an annual basis shall be adopted and the principal shall be repaid and the interest for the last year shall be paid. The term of the A Share Convertible Corporate Bonds under the issuance shall be six years from the date of the issuance, namely 20 May 2022 to 19 May 2028.

The conversion period of the A Share Convertible Bonds under the issuance shall commence on the first trading day immediately following the expiry of the six-month period after the date of the issuance of the convertible bonds (26 May 2022), and end on the maturity date of the convertible bonds (28 November 2022 to 19 May 2028).

The initial conversion price of convertible corporate bonds under the issuance is RMB43.94 per share. After the issuance, in case of certain events such as distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding any increase in the share capital as a result of conversion of the convertible corporate bonds under the issuance), rights issue and distribution of cash dividends, the price of the convertible shares shall be adjusted accordingly. During the term of the A Share Convertible Corporate Bonds under the issuance, the closing prices of shares of the Company on at least 15 trading days out of any 30 consecutive trading days are lower than 90% of the prevailing conversion price, the Board is entitled to propose a downward adjustment to the conversion price and submit it to the Shareholders at the Shareholders' general meetings for their consideration and voting.

During the conversion period, the Company has the right to redeem all or part of the A Share Convertible Bonds which have not been converted into shares based on the par value plus the accrued interest then in case of where the closing prices of A Shares of the Company for at least 15 trading days out of any 30 consecutive trading days are no less than 130% (including 130%) of the prevailing conversion price or where the balance of the outstanding A Share Convertible Bonds under the issuance is lower than RMB30 million.

Within 2 years prior to the maturity of the A Share Convertible Bonds, where the closing price of the Company's A Shares is lower than 70% of the then Conversion Price for 30 consecutive trading days, the Bondholders are entitled to sell all or part of the A Share Convertible Bonds held by them back to the Company at the face value plus the interest accrued then.

If the Company's actual usage of the net proceeds from the Proposed Issuance is materially different from the undertaking of the use of proceeds set out in the Offering Document, and such difference is considered by the CSRC as a change in the use of the proceeds, the Bondholders will have a one-off right to sell all or part of the A Share Convertible Bonds held by them back to the Company at the face value plus the interest accrued. Under the said scenario, the Bondholders may sell their A Share Convertible Bonds back to the Company during the sell back declaration period. If the Bondholders do not exercise their sell back rights during the sell back declaration period, such right will automatically lapse.

The fair value of the liability component was estimated at the issue date using an equivalent market interest rate for a similar bond without the attached purchase warrants. The residual amount was assigned as the equity component and included in shareholders' equity.

The above convertible corporate bonds issued have been split into the liability and equity components as follows:

RMB

Items	Debt composition	Equity composition	Total
Amount of convertible corporate bonds issued	3,664,830,887.89	335,169,112.11	4,000,000,000.00
Direct transaction fee	(21,144,974.47)	(1,933,825.20)	(23,078,799.67)
Balance on the date of issuance	3,643,685,913.42	333,235,286.91	3,976,921,200.33
Interest at par value	(1,380,821.92)		(1,380,821.92)
Premium and discount amortization	18,241,075.56		18,241,075.56
Conversion shares for the half year			–
Balance at 30 June 2022	3,660,546,167.06	333,235,286.91	3,993,781,453.97

30. LEASE LIABILITIES

RMB

Classification	Closing balance	Opening balance
Lease liabilities	**11,320,751.04**	11,515,218.22
Less: Lease liabilities included in non-current liabilities due within one year	**635,514.93**	635,514.93
Net amount	**10,685,236.11**	10,879,703.29

31. DEFERRED REVENUE

RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Government grant	25,441,145.12	45,804,800.00	6,742,063.25	**64,503,881.87**
Total	25,441,145.12	45,804,800.00	6,742,063.25	**64,503,881.87**

Items involving government grants:

RMB

Items	Opening balance	Increase amount for the period	Decrease in the current period	Closing balance	Asset-related/ revenue-related
Jiaxing City 2012 first batch of industrial development fund grant annual output of 170,000 tons of LOW-E glass and deep processing project 2#Float Kiln	133,333.06	–	100,000.02	**33,333.04**	Asset-related
Jiaxing City 2012 provincial energy-saving financial grant - 2 production lines of furnace flue gas waste heat utilization Phase II project with supporting construction of waste heat boilers and steam turbine generator sets	190,291.55	–	49,999.98	**140,291.57**	Asset-related
Annual production of 15 million square meters of solar photovoltaic ultra-white glass expansion project	424,778.42	–	250,000.02	**174,778.40**	Asset-related
Jiaxing City 2012 first batch of industrial development fund grant -2*600t/d glass melting furnace flue gas waste heat power generation first phase construction's technical transformation project	83,495.42	–	49,999.98	**33,495.44**	Asset-related
TCO ultra-white conductive film project grant	603,783.23	–	603,783.23	**0.00**	Asset-related
Jiaxing City 2012 first batch of industrial development fund subsidy - annual output of 15 million square meters of solar photovoltaic ultra-white glass project 1#Photovoltaic Kiln	950,494.77	–	250,000.02	**700,494.75**	Asset-related

Items	Opening balance	Increase amount for the period	Decrease in the current period	Closing balance	Asset-related/ revenue-related
2014 industrial transformation and upgrading items (central infrastructure investment) Flat Glass annual production of 5.8 million square meters LOW-E glass deep processing project	2,790,000.00	–	465,000.00	**2,325,000.00**	Asset-related
Glass melting furnace flue gas denitrification technology project grant	4,679,443.73	–	586,666.74	**4,092,776.99**	Asset-related
Jiaxing Finance Bureau 2011 glass melting furnace flue gas waste heat power generation project grant	739,999.84	–	184,999.98	**554,999.86**	Asset-related
The first phase of distributed PV project construction grant	4,014,720.00	–	167,280.00	**3,847,440.00**	Asset-related
The second phase of distributed PV project construction grant	1,134,115.59	–	46,607.52	**1,087,508.07**	Asset-related
Annual production of 5.8 million square meters LOW-E glass deep processing project	4,234,724.00	–	409,812.00	**3,824,912.00**	Asset-related
Annual production of 12 million square meters of high transparent photovoltaic glass project	1,684,065.48	–	174,213.72	**1,509,851.76**	Asset-related
Grant for backplane processing workshop with annual output of 28 million square	2,877,900.00	–	172,674.00	**2,705,226.00**	Asset-related
Subsidies for supporting the development of robot industry	900,000.03	1,000,000.00	99,999.96	**1,800,000.07**	Asset-related
Subsidies for Industrial Internet and making equipment institutionalized, standardized and procedure-based	–	3,600,000.00	187,826.08	**3,412,173.92**	Asset-related
Fengyang County's government developed and funded new kinetic energy to promote the transformation and upgrading of enterprises, making economic development sound. Moreover, the government subsidized enterprises's investment	–	41,204,800.00	2,943,200.00	**38,261,600.00**	Asset-related
Total	25,441,145.12	45,804,800.00	6,742,063.25	**64,503,881.87**	

32. LONG-TERM PAYMENTS

RMB

Items	Opening balance	Closing balance
Payment for acquisition of mining rights	–	**230,230,897.90**
Less: Long-term payments due within one year	–	**52,220,000.00**
Long-term payments due after one year	–	**178,010,897.90**

33. SHARE CAPITAL

RMB

	Opening balance	Increase or decrease for the period (+,-) New shares Issued	Others	Closing balance
Total share capital	536,723,313.50			**536,723,313.50**

34. OTHER EQUITY INSTRUMENTS

RMB

Outstanding financial instruments	Opening balance		Increase in the current period		Decrease in the current period		Closing balance	
	Number	Carrying value	Number	Carrying value	Number	Carrying value	Number	Carrying value
Convertible corporate bonds	–	–	40,000,000.00	333,235,286.91	–	–	**40,000,000.00**	**333,235,286.91**

35. CAPITAL RESERVE

RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share premium	4,780,117,627.53		–	**4,780,117,627.53**
Other capital reserve	52,650,634.30	15,842,999.03	–	**68,493,633.33**
Total	4,832,768,261.83	15,842,999.03	–	**4,848,611,260.86**

36. TREASURY STOCK

RMB

Items	Opening balance	Increase for the period	Decrease for the period (Note 1)	Closing balance
Share-based payment	32,096,200.00	–	1,992,200.00	**30,104,000.00**
Total	32,096,200.00	–	1,992,200.00	**30,104,000.00**

Note 1: On 25 May 2022, the Company achieved the conditions to remove the sales restriction for the first grant of the 2020 Restricted A Share Incentive Scheme for the reserved part of the first unlocking period, and the treasury shares decreased by RMB1,992,200.00 accordingly.

37. OTHER COMPREHENSIVE INCOME

RMB

Items	Opening balance	Amount incurred in the current period: Amount before income tax incurred in the current period	Less: income tax	Amount attributable to the Company after income tax	Amount attributable to minority shareholders after income tax	Closing balance
I. Other comprehensive income that will not be reclassified into profit or loss afterwards	–	–	–	–	–	–
II. Other comprehensive income that will be reclassified into profit or loss afterwards	(7,613,180.72)	29,889,259.45	–	29,889,259.45	–	22,276,078.73
– Exchange differences on foreign currency financial statements translation	(4,685,441.82)	29,586,440.51	–	29,586,440.51	–	24,900,998.69
– Changes in fair value of financing receivables	(2,927,738.90)	302,818.94	–	302,818.94	–	(2,624,919.96)
Total other comprehensive income	(7,613,180.72)	29,889,259.45	–	29,889,259.45	–	22,276,078.73

38. SPECIAL RESERVE

RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production costs	17,266,053.61	6,557,571.38	207,368.35	23,616,256.64
Total	17,266,053.61	6,557,571.38	207,368.35	23,616,256.64

39. SURPLUS RESERVE

RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	268,361,656.75	–	–	268,361,656.75
Total	268,361,656.75	–	–	268,361,656.75

40. UNDISTRIBUTED PROFIT

RMB

Items	Current period	Last period
Opening balance of the undistributed profit	**6,194,759,167.82**	4,449,556,361.77
Add: Net profit attributable to shareholders of the parent company in the current period	**1,002,747,876.79**	1,261,029,989.03
Less: Accrual of statutory surplus reserves		–
Dividends payable	–	321,928,988.10
Closing balance of the undistributed profit	**7,197,507,044.61**	5,388,657,362.70

41. OPERATING REVENUE AND OPERATING COST

(1) Operating revenue and operating cost

RMB

Items	Amount for the period		Amount for last period	
	Revenue	Cost	Revenue	Cost
Main business	7,285,660,785.13	5,647,016,606.15	4,006,038,420.77	2,239,800,101.33
Other business	18,830,553.83	3,492,062.29	21,984,067.79	5,411,353.97
Total	7,304,491,338.96	5,650,508,668.44	4,028,022,488.56	2,245,211,455.30

(2) Revenue from contract

RMB

Contract classification	Total
By types of products	
PV glass	6,468,102,101.23
Float glass	154,622,632.87
Household glass	180,626,503.87
Architectural glass	319,281,955.84
Ore	161,935,169.23
Income from other business	19,922,975.92
By operating regions	
The mainland of China	5,896,527,530.36
Asia and other countries and regions (excluding the mainland of China)	1,165,341,157.52
Europe	101,446,157.93
North America	128,647,285.93
Others	12,529,207.22

(3) Performance obligations

The Group's main business activities are the production and sales of glass products. Generally, there is only one performance obligation to deliver goods in the relevant sales contract, and the consideration for the sale of the product is determined according to the fixed price agreed in the sales contract or order. The Group recognises the revenue at the time when the control of the relevant product is transferred to the customer. The Group requires dealer customers

43. SELLING EXPENSES

RMB

Items	Amount for the period	Amount for last period
Assembling frame charges	**37,008,523.79**	44,217,828.05
Employee compensation and welfare	**6,421,048.50**	5,780,602.46
Advertising expenses	**5,149,776.66**	4,731,980.16
Depreciation and amortization	**12,678.08**	4,459.85
Others	**1,058,146.31**	1,707,952.14
Total	**49,650,173.34**	56,442,822.66

44. ADMINISTRATIVE EXPENSES

RMB

Items	Amount for the period	Amount for last period
Employee remuneration and benefits	**67,324,035.28**	68,897,778.55
Depreciation and amortization	**14,925,107.74**	10,538,835.21
Green and environmental protection expenses	**5,829,406.63**	3,592,433.81
Labor costs	**8,149,166.34**	4,361,248.05
Office expenses	**4,722,203.38**	4,143,592.54
Travelling expenses	**1,148,929.54**	1,023,170.67
Intermediary agency service fee	**9,125,268.49**	1,998,236.41
Transportation expenses	**1,122,452.13**	1,105,866.39
Repair and maintenance fee	**362,943.45**	188,692.64
Others	**13,690,082.76**	11,269,219.21
Total	**126,399,595.74**	107,119,073.48

45. RESEARCH AND DEVELOPMENT EXPENSES

RMB

Items	Amount for the period	Amount for last period
Employee remuneration and benefits	**55,813,432.48**	39,118,507.52
Direct material costs	**165,135,312.47**	134,017,800.27
Depreciation and amortization	**12,128,571.42**	11,096,518.97
Others	**21,977,320.23**	15,805,687.54
Total	**255,054,636.60**	200,038,514.30

46. FINANCE EXPENSES

RMB

Items	Amount for the period	Amount for last period
Interest expense from borrowing	**120,102,101.64**	34,644,318.71
Less: Interest income	**25,481,363.85**	21,301,664.66
Handing fee	**4,640,053.54**	1,157,900.91
Exchange loss (gains)	**(22,492,358.21)**	(780,293.22)
Total	**76,768,433.12**	13,720,261.74

47. OTHER REVENUE

RMB

Items	Amount for the period	Amount for last period
Distributed PV power generation project grant	**2,503,473.27**	3,052,823.35
Deferred income amortization	**6,742,063.25**	6,234,579.97
Government grants	**31,622,824.40**	3,049,188.99
Total	**40,868,360.92**	12,336,592.31

48. INVESTMENT INCOME (LOSS)

RMB

Items	Amount for the period	Amount for last period
Income from long-term equity investments under the equity method	**3,582,923.60**	2,834,046.74
Investment income from structured wealth management	**450,000.00**	7,842,906.41
Derivative tools without the specified hedging relationship	**166,920.00**	9,504,060.00
Including: Forward foreign exchange contract investment income	**166,920.00**	9,504,060.00
Investment income from equity instrument investment		1,406,250.00
Total	**4,199,843.60**	21,587,263.15

49. GAINS AND LOSSES ARISING FROM CHANGES IN FAIR VALUE

RMB

	Amount for the period	Amount for last period
Derivative tools without the specified hedging relationship		
Including: Forward foreign exchange contract	**(139,297.35)**	769,335.76
Foreign exchange option contract	**(3,521,571.71)**	(929,377.38)
Total	**(3,660,869.06)**	(160,041.62)

50. CREDIT IMPAIRMENT LOSSES

RMB

Items	**Amount for the period**	Amount for last period
Credit impairment gains (losses) on bills receivable	**(6,427,253.22)**	(751,658.54)
Credit impairment gains (losses) on trade receivables	**(22,204,626.25)**	31,247,735.89
Total	**(28,631,879.47)**	30,496,077.35

51. ASSETS IMPAIRMENT LOSSES

RMB

Items	**Amount for the period**	Amount for last period
Inventory impairment loss	**(6,723,522.16)**	(4,329,681.98)
Total	**(6,723,522.16)**	(4,329,681.98)

52. GAINS (LOSS) ON DISPOSAL OF ASSET

RMB

Items	**Amount for the period**	Amount for last period
Gains on disposal of fixed assets	**1,375,064.85**	1,017,352.08
Losses on disposal of fixed assets	**(10,526,063.59)**	(1,967,369.20)
Total	**(9,150,998.74)**	(950,017.12)

53. NON-OPERATING INCOME

RMB

Items	**Amount for the period**	Amount for last period	Non-recurring profits and losses in the current period
Government grant (Note1)	**813,591.12**	3,031,418.86	813,591.12
Others	**1,278,512.69**	323,710.32	1,278,512.69
Total	**2,092,103.81**	3,355,129.18	2,092,103.81

Note 1: For details of government grants included into current period profit or loss, please refer to "Note – Government grants".

54. NON-OPERATING EXPENSES

RMB

Items	**Amount for the period**	Amount for last period	Non-recurring profits and losses in the current period
External donations	**2,153,838.80**	96,215.63	2,153,838.80
Others	**100,532.01**	613,545.07	100,532.01
Total	**2,254,370.81**	709,760.70	2,254,370.81

55. INCOME TAX EXPENSES

RMB

Items	**Amount for the period**	Amount for last period
Current period income tax expenses	**148,981,006.01**	174,526,224.63
Income taxes made over (refunded) for the last year	**(34,612,628.52)**	(3,163,584.23)
Deferred income tax expenses	**(19,717,419.82)**	13,522,107.48
Total	**94,650,957.67**	184,884,747.88

Reconciliation between income tax expense and accounting profit is as follows:

RMB

Items	Amount for the period
Total profit	**1,097,398,834.46**
Income tax expense calculated at tax rate of 15%	**164,609,825.15**
Effect of subsidiaries to adapt different tax rates	**12,564,367.57**
Effect of non-deductible costs, expenses and losses	**2,629,649.13**
Effects of non-taxable income	**(367,398.64)**
Effect on makeover (refund) of the income tax for last period	**(34,612,628.53)**
Tax effect on tax incentives	**(20,921,010.36)**
Effect of use of deductible losses on previously unrecognised deferred income tax asset	**(1,335,061.98)**
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	**3,950,073.84**
Changes in opening balances of deferred tax assets/liabilities due to the change in tax rate	**–**
Effect on research and development costs plus deduction	**31,866,858.51**
Income tax expenses	**94,650,957.67**

56. ITEMS IN CASH FLOW STATEMENT

(1) Other cash received and related to operating activities

RMB

Items	**Amount in the current period**	Amount in the last period
Government grant	**80,744,688.79**	10,133,431.20
Interest income	**25,931,363.85**	21,301,664.66
Margin	**15,827,360.46**	220,000.00
Others	**1,278,512.69**	2,502,872.22
Total	**123,781,925.79**	34,157,968.08

(2) Other cash paid and related to operating activities

RMB

Items	**Amount in the current period**	Amount in the last period
Paid fee	**189,877,482.10**	386,948,191.87
Margin	**72,653.66**	21,481,763.42
Charitable donation expenses	**2,153,838.80**	96,215.63
Handling charge	**5,090,053.54**	1,157,900.91
Others	**4,974,227.81**	5,331,515.31
Total	**202,168,255.91**	415,015,587.14

(3) Other cash received and related to investment activities

RMB

Items	Amount in the current period	Amount in the last period
Recovery of restricted monetary funds	–	30,120,339.59

(5) Other cash received and related to fundraising activities

RMB

Items	**Amount in the current period**	Amount in the last period
Recovery of restricted monetary funds	**466,542,322.25**	459,117,039.95
Total	**466,542,322.25**	459,117,039.95

(6) Other cash paid and related to fundraising activities

RMB

Items	**Amount in the current period**	Amount in the last period
Payment of restricted monetary funds	**495,034,111.04**	730,523,947.73
Charges for non-public issuance	**–**	17,908,619.14
Expenses on issuance of convertible corporate bonds	**1,078,799.67**	94,339.63
Total	**496,112,910.71**	748,526,906.50

57. SUPPLEMENTARY INFORMATION FOR CASH FLOW STATEMENT

(1) Supplementary information for cash flow statement

RMB

	Amount in the current period	Amount in the last period
(1) Adjust net profit to cash flow from operating activities		
Net profit	**1,002,747,876.79**	1,261,029,989.03
Add: Asset impairment provision	**6,723,522.16**	4,329,681.98
Credit impairment losses (gains)	**28,631,879.47**	(30,496,077.35)
Investment property amortization	**715,735.20**	715,735.20
Depreciation of fixed assets	**355,898,987.44**	219,267,472.76
Depreciation of right-of-use assets	**2,407,419.35**	2,367,974.74
Amortization of intangible assets	**242,066,854.07**	11,906,352.80
Amortization of long-term prepaid expenses	**1,261,756.85**	1,145,392.36
Losses for disposal of fixed assets, intangible assets and other long-term assets (gains)	**9,150,998.74**	950,017.12
Fair value change losses (gains)	**3,660,869.06**	160,041.62
Financial expenses	**150,868,000.63**	34,644,318.71
Investment gains	**(4,199,843.60)**	(21,587,263.15)
Decrease in deferred income tax assets (increase)	**(288,708.48)**	2,228,072.31
Increase in deferred income tax liabilities (decrease)	**(19,428,711.33)**	11,294,035.17
Decrease in inventory (increase)	**772,843,489.17**	(648,200,026.51)
Increase of operating receivables (decrease)	**(2,370,476,466.47)**	(855,995,548.19)
Increase in operating payables	**708,230,611.01**	391,916,423.87
Others	**15,451,138.81**	11,475,363.71
Net cash flow from operating activities	**906,265,408.87**	397,151,956.18
(2) Net changes in cash and cash equivalents		
Balance of cash at the end of the period	**3,244,825,371.34**	2,190,106,192.69
Less: Balance of cash at the beginning of the period	**2,101,730,679.46**	1,146,171,930.13
Net increase in cash and cash equivalents	**1,143,094,691.88**	1,043,934,262.56

(2) Component of cash and cash equivalents

RMB

Items		Closing balance	Opening balance
I.	Cash	**3,244,825,371.34**	2,101,730,679.46
	Including: Cash on hand	**23,680.28**	37,595.74
	Bank deposit available for payment	**3,244,801,691.06**	2,101,693,083.72
II.	Cash equivalents	**–**	–
III.	Cash and cash equivalents at the end of the year	**3,244,825,371.34**	2,101,730,679.46

58. ASSETS WITH RESTRICTED OWNERSHIP OR USE RIGHTS

RMB

Items	Book value at the end of the half year	Reasons for restriction
Monetary funds	**778,425,138.48**	Bills deposits, etc.
Financing receivables	**39,882,313.71**	Pledged to bank to obtain credit facilities
Invested properties	**18,086,495.83**	Pledged to bank to obtain credit facilities
Fixed assets	**2,446,307,991.66**	Pledged to bank to obtain credit facilities
Intangible assets	**320,919,034.69**	Pledged to bank to obtain credit facilities
Total	**3,603,620,974.37**	

59. FOREIGN CURRENCY MONETARY ITEM

Items	Closing balance		
	Foreign currency balance	Translation exchange rate	RMB amounts
Cash at bank and on hand			
Including: USD	74,948,522.81	6.7114	503,009,516.00
EUR	4,767,740.42	7.0084	33,414,231.96
JPY	94,814,238.00	0.0491	4,658,792.41
HKD	266,033.35	0.8552	227,509.06
GBP	3,933.46	8.1365	32,004.59
AUD	282,767.77	4.6145	1,304,831.87
Total			542,646,885.89
Trade receivables			
Including: USD	86,599,759.89	6.7114	581,205,628.52
EUR	325,997.51	7.0084	2,284,720.95
AUD	79,053.30	4.6145	364,791.45
Total			583,855,140.92
Other receivables			
Including: HKD	3,970.00	0.8552	3,395.10
Total			3,395.10
Trade payables			
Including: USD	3,146,630.69	6.7114	21,118,297.21
EUR	87,854.51	7.0084	615,719.56
Total			21,734,016.77
Borrowings			
Including: USD	187,462,098.79	6.7114	1,258,133,129.80
Total			1,258,133,129.80

60. GOVERNMENT GRANTS

RMB

Items	Asset-related/ revenue-related	Listed items	Amount for the year
Subsides for encouraging enterprises to increase investment, granted by Fengyang County for cultivating new drivers to promote enterprise transformation and upgrading and high-quality economic development	Asset	Deferred revenue	41,204,800.00
Rewards for dividend enterprises to compete for contribution, granted by Fengyang County for cultivating new drivers to promote enterprise transformation and upgrading and high-quality economic development	Revenue	Other revenues	21,302,900.00
Equipment subsidies for Industrial Internet Three Transformation	Asset	Deferred revenue	3,600,000.00
Funds from Jiaxing Economic and Information Bureau for local science and technology development guided by the central government in 2022	Revenue	Other revenues	3,000,000.00

Items	Asset-related/ revenue-related	Listed items	Amount for the year
Distributed PV power generation project grant	Revenue	Other revenues	2,503,473.27
Special incentives for accelerating the development of foreign trade enterprises	Revenue	Other revenues	2,099,000.00
Subsidies for supporting the development of the robot industry	Asset	Deferred revenue	1,000,000.00
Rewards for identification of municipal industry and information fund single champion by Jiaxing Economy and Information Bureau in 2022	Revenue	Other revenues	750,000.00
Refund income from handling fee for individual income tax	Revenue	Other revenues	613,380.32
Subject cultivation subsidies of the municipal service industry development and guide funds	Revenue	Other revenues	519,000.00
Annual green manufacturing special fund project by Jiaxing Economy and Information Bureau in 2021	Revenue	Other revenues	500,000.00
Subsidies in cash under the annual preferential treatment policy for enterprises	Revenue	Other revenues	400,000.00

Items	Asset-related/ revenue-related	Listed items	Amount for the year
Incentives and subsidies of the annual high-tech zone science and technology new policies at Jiaxing Xiuzhou High-tech Industrial Development Zone	Revenue	Other revenues	300,000.00
Subsidies for leading talents under Ten Thousand Talent Program for Tech Start-ups of Jiaxing Economy and Information Bureau	Revenue	Other revenues	200,000.00
Others	Revenue	Other revenues/ non-operating revenue	2,752,135.20
Total			80,744,688.79
Including: Government subsidies included in the current profit and loss			34,939,888.79

6. CHANGE IN COMBINATION SCOPE

1. Business combinations involving enterprises not under common control

(1) Business combinations involving enterprises not under common control in the current period

RMB

Name of acquirer	Date of acquiring the equity interest	Acquisition cost	Equity interest acquired (%)	Acquisition method	Acquisition date	The basis for determining the acquisition date	Income of acquiree from the acquisition date to the end of the period	Net profit of acquiree from the acquisition date to the end of the period
Anhui Dahua Dongfang Mining Company Limited (安徽大華東方礦業有限公司)	2022/02/13	740,000,000.00	100.00	Acquisition	2022/02/13	Approved by the Board, the property rights have been transferred and can actually be controlled	–	–
Anhui Sanli Mining Company Limited (安徽三力礦業有限責任公司)	2022/02/13	2,065,000,000.00	100.00	Acquisition	2022/02/13	Approved by the Board, the property rights have been transferred and can actually be controlled	–	–

Other description:

The Company held the 10th meeting of the 6th session of the board of directors on 27 October 2021, during which reviewed and approved the Resolution on the Plan for Purchase of Major Assets of Flat Glass Group Co., Ltd. and its Summary, and disclosed relevant documents such as the Plan for Purchase of Major Assets of Flat Glass Group Co., Ltd. and its Summary on 28 October 2021.

On 9 November 2021, the Company received the Inquiry Letter on the Information Disclosure of the Reorganization Plan of Flat Glass Group Co., Ltd. (Shanghai Stock Exchange Official Letter [2021] No. 2868, hereinafter referred to as the "Inquiry Letter") from the Shanghai Stock Exchange, details of which are set out in the Announcement of Flat Glass Group Co., Ltd. on Receiving the Inquiry Letter on Information Disclosure of Reorganization Plan of the Shanghai Stock Exchange (Announcement No.: 2021-111) disclosed by the Company on 10 November 2021. The Reply Announcement of Flat Glass Group Co., Ltd. to the Inquiry Letter of the Shanghai Stock Exchange on the Information Disclosure of the Reorganization Plan of Flat Glass Group Co., Ltd. (Announcement No.: 2021-127) and the Announcement on the Revision of the Major Asset Purchase Plan of Flat Glass Group Co., Ltd. (Announcement No.: 2021-128) were disclosed on 15 December 2021.

The Company disclosed the Announcement on the Progress of Major Asset Reorganization of Flat Glass Group Co., Ltd. on 27 November 2021, 28 December 2021 and 27 January 2022 (see the Company's announcement, No. 2021-123, 2021-131 and 2022-003 for details, respectively).

After evaluation and audit, the final price of the transaction was determined to be RMB3,343,947,600 through negotiation of both parties based on the audit and evaluation value. Pursuant to the 2020 audit report of the Company, the 2020 financial report of the target company as audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Nanjing Branch and with a reference to the final total price of this transaction, all indicators do not exceed 50% of the total audited assets, net assets and operating revenue of the Company for 2020 after comparing the relevant financial indicators of the target assets of this transaction with financial indicators of the Company, failing to meet the standards for major asset reorganization specified d o a s u i

The Company held the 15th meeting of the sixth session of the board of directors on 13 February 2022, during which reviewed and approved the Resolution on the Acquisition not Constituting a Major Asset Reorganization and the Termination Procedures of the Major asset Reorganization and the Resolution on the Company's Acquisition of 100% Equity of Anhui Dahua Oriental Mining Co., Ltd.* held by Anhui Fengsha Mining Group Co., Ltd.* and 100% Equity Interests of Anhui Sanli Mining Co., Ltd.*, according to which, the Company was approved to purchase 100% equity of Anhui Dahua Oriental Mining Co., Ltd.* ("Dahua Mining") held by Anhui Fengsha Mining Group Co., Ltd. and 100% equity interests of Anhui Sanli Mining Co., Ltd.* by paying cash and undertaking liabilities, with a total transaction price of RMB3,343,947,600. For details, please refer to the Announcement on the Acquisition of 100% Equity of Anhui Dahua Oriental Mining Co., Ltd. and 100% Equity of Anhui

Explanation on determination of fair value of cost of combination, contingent consideration and its changes:

According to the Asset Appraisal Report on the Appraisal of the All Equity Value of Shareholders of Anhui Dahua Oriental Mining Co., Ltd. Involved in the Proposed Equity Acquisition of Flat Glass Group Co., Ltd. (KunYuan Appraisal Report [2022] No. 24) and the Asset Appraisal Report on the Appraisal of the All Equity Value of Shareholders of Anhui Sanli Mining Co., Ltd. Involved in the Proposed Equity Acquisition of Flat Glass Group Co., Ltd. (KunYuan Appraisal Report [2022] No. 25) issued by Canwin Appraisal Co. Ltd, as of 31 December 2021, the net assets of Dahua Mining and Sanli Mining were determined to be RMB742,738,400 and RMB2,073,300,500, respectively, according to the asset-based method. Through negotiation between all parties, the transfer price of 100% equity of Dahua Mining amounted to RMB740 million, and the transfer price of 100% equity of Sanli Mining amounted to RMB2,065 million.

(3) Identifiable assets and liabilities of acquiree at the acquisition date

	Anhui Dahua Oriental Mining Co., Ltd.	
	Fair value on the acquisition date	**Carrying amount on the acquisition date**
Assets:	1,249,471,790.26	572,065,553.36
Cash at bank and on hand	1,127,564.56	1,127,564.56
Bills receivable	13,740,000.00	13,740,000.00
Advance payment	145,038.88	145,038.88
Other receivables	537,080.71	537,080.71
Other current assets	17,752.39	17,752.39
Fixed assets	14,842,270.00	12,104,397.46
Intangible assets	1,219,062,083.72	544,393,719.36
Liabilities:	506,733,371.3	510,989,682.1
Short-term borrowings	13,740,000.00	13,740,000.00
Contract liabilities	9,000,000.00	9,000,000.00
Payroll payable	256.45	256.45
Tax payable	6,099,925.37	6,099,925.37
Other payables	477,893,189.50	477,893,189.50
Provisions	–	4,256,310.74
Less: minority interests		
Net assets acquired	742,738,418.94	61,075,871.30

	Anhui Sanli Mining Co., Ltd.	
	Fair value on the acquisition date	Carrying amount on the acquisition date
Assets:	2,504,277,807.58	557,471,639.81
Cash at bank and on hand	17,906,764.60	17,906,764.60
Bills receivable	247,187,416.40	247,187,416.40
Advance payment	31,666.46	31,666.66
Other receivables	4,802,780.12	4,802,780.12
Fixed assets	476,780.00	273,762.59
Intangible assets	2,233,872,400.00	286,380,097.05
Long-term deferred expenses	–	889,152.39
Liabilities:	430,977,301.9	433,178,932.65
Trade payables	16,495,150.06	16,495,150.06
Contract liabilities	188,819.35	188,819.35
Tax payable	118,729,740.92	118,729,740.92
Other payables	70,519,112.54	70,519,112.54
Current liabilities due within one year	52,220,000.00	52,220,000.00
Long-term payables	172,824,479.03	172,824,479.03
Provisions	–	2,201,630.75
Less: minority interests		
Net assets acquired	2,073,300,505.68	124,292,707.16

Determination method of fair value of identifiable assets and liabilities

With a reference to the object, purpose and information collected by the appraisers, it is determined to adopt the asset-based method and the income method to evaluate the value of all shareholders' equity of Dahua Mining and Sanli Mining, respectively. On the basis of the above appraisal, the conclusion of the asset-based method is determined as the appraisal conclusion of the appraisal object after full and comprehensive analysis of the various preliminary value conclusions according to the actual conditions and comprehensive consideration of the rationality of different appraisal methods and preliminary value conclusions.

7. INTERESTS IN OTHER ENTITIES

1. INTERESTS IN SUBSIDIARIES

Items	Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding and voting rights percentage as at 30 June 2022 (%) Direct	Indirect	Acquisition method
1	Zhejiang Flat Glass Co., Ltd.	Zhejiang	Zhejiang	Engaged in the manufacture and sale of architectural or household glass products	100	–	Establishment
2	Zhejiang Jiafu Glass Co., Ltd.	Zhejiang	Zhejiang	Manufacture and sale of photovoltaic glass	100	–	Establishment
2.1	Flat (Hong Kong) Investment Limited	Hong Kong	Hong Kong	Investments	–	100	Establishment
2.1.1	FLAT (AUSTRALIA) PTY LTD	Australia	Australia	Mine operations and sale of quartz ore	–	100	Establishment
3	Shanghai Flat Glass Co., Ltd.	Shanghai	Shanghai	Architectural glass processing	100	–	Establishment
4	Anhui Flat Solar Glass Co., Ltd.	Anhui	Anhui	Manufacture, processing and sale of special glass	100	–	Establishment
4.1	Fengyang Flat Natural Gas Pipeline Co., Ltd.	Anhui	Anhui	Natural gas technology development and natural gas pipeline installation and sales	–	100	Establishment
4.2	Fengyang Flat New Energy Technology Co., Ltd.	Anhui	Anhui	Investment, construction, operation and maintenance of new energy power plants	–	100	Establishment
4.3	Anhui Flat Supply Chain Management Co., LTD.	Anhui	Anhui	Supply chain management services	–	100	Establishment
5	Anhui Flat Solar Material Co., Ltd.	Anhui	Anhui	Mine operations and sale of quartz ore	100	–	Establishment
6	Flat (Hong Kong) Limited	Hong Kong	Hong Kong	Glass Export	100	–	Establishment

Items	Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding and voting rights percentage as at 30 June 2022 (%) Direct	Indirect	Acquisition method
6.1	Flat (Vietnam) Company Limited	Vietnam	Vietnam	Manufacture and sale of photovoltaic glass	–	100	Establishment
6.1.1	Flat (Vietnam) Import and Export Trade Limited	Vietnam	Vietnam	Import and export trade	100		Establishment
7	Jiaxing Flat New Energy Technology Co., Ltd.	Zhejiang	Zhejiang	Investment, construction, operation and maintenance of new energy power plants	100	–	Establishment
8	Flat (Jiaxing) Import and Export Trade Limited	Zhejiang	Zhejiang	Import and export trade	100	–	Establishment
9	Flat (Nantong) Solar Glass Co., LTD	Jiangsu	Jiangsu	Manufacture and sale of photovoltaic glass	100	–	Establishment
10	Flat (Suqian) Solar Glass Co., LTD	Jiangsu	Jiangsu	Manufacture and sale of photovoltaic glass	100	–	Establishment
11	Shanghai Flat Technology Development Co., LTD	Shanghai	Shanghai	Research and development and promotion services for new materials and new technologies	100	–	Establishment
12	Anhui Dahua Oriental Mining Co., Ltd.	Anhui	Anhui	Quartzite mining and sale	100	–	Combinations not under common control
13	Anhui Sanli Mining Co., Ltd.	Anhui	Anhui	Quartzite mining and sale	100	–	Combinations not under common control

2. INTEREST IN JOINT VENTURE OR ASSOCIATE

(1) Financial information summary of insignificant joint venture and associate

RMB

	Closing balance/ Amount incurred in the current period	Opening balance/ Amount incurred in the last period
Associate:		
Total invested book value	**74,269,507.82**	19,948,888.40
Listed total number calculated by shareholding percentage		
– Net profit	**3,582,923.60**	2,834,046.74
– Other comprehensive income	**–**	–
– Total comprehensive income	**3,582,923.60**	2,834,046.74

(2) Material restrictions on the ability of associates to transfer capital to the Group

There were no material restrictions on the ability of associates to transfer capital to the Group.

(3) Contingent liabilities relating to investment of associates

The Group had no contingent liabilities relating to investment of associates.

8. RISKS RELATED TO FINANCIAL INSTRUMENTS

At the end of the half year, major financial instruments of the Group include: cash at bank and on hand, derivative financial asset, bills receivables, trade receivables, other receivables, derivative financial liabilities, bills payable and trade payables, and other receivables, lease liabilities and borrowings. Details of each financial instruments are set out below:

RMB

Item	Closing balance	Opening balance
Financial asset		
Cash at bank and on hand	**4,023,250,509.82**	2,842,677,267.48
Trading financial assets	**700,000,000.00**	200,000,000.00
Derivative financial asset	**–**	62,739.00
Bills receivables	**2,016,706,300.57**	939,748,112.41
Trade receivables	**2,713,330,450.16**	1,105,759,571.75
Financing receivables	**596,244,502.28**	531,196,547.78
Other receivables	**53,523,216.63**	54,999,617.97
Total	**10,103,054,979.46**	5,674,443,856.39
Financial liabilities		
Derivative financial liabilities	**3,598,130.06**	–
Bills payable	**967,943,844.79**	1,036,982,577.72
Trade payables	**3,369,204,291.79**	2,306,910,116.65
Other payables	**673,276,780.43**	132,439,232.65
Bonds payables	**3,660,546,167.06**	–
Lease liabilities (including due within one year)	**11,320,751.04**	11,516,621.85
Long-term payables (including due within one year)	**230,230,897.90**	–
Borrowings	**6,072,079,465.68**	4,142,134,668.01
Total	**14,988,200,328.75**	7,629,983,216.88

The risks related to financial instruments and the risk management policies for risk mitigation of the Group are stated as following. The management of the Company will management and supervise these risk exposures in order to ensure that proper measures are taken expeditiously.

1. RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management objectives of the Group are to obtain an appropriate balance between risk and return, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to set appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

1.1 Market risk

The Group's business has caused its financial risks due to the changes in interest rates and foreign exchange rates. The Group believes that the above risks during the year or the manner in which they are managed and measured have not been changed compared to the previous year.

1.1.1. Foreign exchange risk

Foreign exchange risk refers to the risk of loss arising from the losses in exchange rate. The operating economic environment of the Company and its major subsidiaries is China and Vietnam whose functional currencies are RMB and VND. Some of the Group's transactions are settled in currencies other than functional currencies such as USD, EUR, JPY, HKD, GBP and AUD, and are subject to the resulting foreign exchange risk.

As at 30 June 2022, the Group's foreign currency assets and liabilities are set out below. The foreign exchange risk arising from the assets and liabilities of these foreign currency balances (see Notes Foreign Currency Items) may impact the Group's operating results.

RMB

Item	Closing balance	Opening balance
Cash and cash equivalents	**542,646,885.89**	646,162,060.99
Trade receivables	**583,855,140.92**	264,346,799.86
Other receivables	**3,395.10**	3,245.87
Trade payables	**21,734,016.77**	44,332,571.48
Others	**–**	602,570.50
Borrowings	**1,258,133,129.80**	1,285,319,483.63

The Group closely monitors exchange rate movements and formulates relevant hedging policies to reduce foreign exchange risk. Foreign exchange forward contracts can be used to eliminate foreign exchange risk. For the year ended 30 June 2022, the Company entered into contracts in relation to foreign currency assets of RMB24,726,840.00 (equivalent to USD3,684,304.32).

1.1.2. Interest rate risk

The Group's risks to the changes in cash flows of financial instruments arising from changes in interest rates is primarily related to floating rate bank borrowings and floating rate bank deposits. As at 30 June 2022, the Group's floating borrowings amounted to RMB4,991,348,129.80 (31 December 2021: RMB3,442,726,983.63). The management of the Group closely monitors interest rate risk. The Group's policy is to maintain the floating rate of these borrowings without any arrangement such as interest swap at present.

1.2 Credit risk

As at 30 June 2022, the maximum credit risk exposure that may cause the Group's credit losses is mainly due to the loss of the Group's financial assets caused by the failure of the other party to perform its obligations and the financial guarantees undertaken by the Group (without considering available collateral or other credit enhancements), specifically: cash at bank and on hand, bills receivable, trade receivables, trade receivables financing, other receivables, etc., and derivative financial assets that are not included in the scope of impairment assessment, etc. At the balance sheet date, the carrying amount of the Group's financial assets has represented its maximum credit risk exposure.

In order to reduce credit risk, the Group has established a team responsible for determining the credit limits and conducting credit approval. At the same time, the Group performs other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. In addition, the Group reviews the recovery of financial assets on each balance sheet date to ensure that adequate credit loss provisions are made for the relevant financial assets. As a result, the management of the Group believes that the credit risk assumed by the Group has been significantly reduced.

The Group's cash at bank and on hand are deposited in banks with higher credit ratings, so cash at bank and on hand is subject to lower credit risk.

As at 30 June 2022, the Group's accounts receivable balance with the top five customers was RMB1,550,421,839.55 (31 December 2021: RMB581,839,100.82), accounting for 55.58% of the Group's account receivable balance (31 December 2021: 50.18%). In addition, the Group has no other significant credit risk exposure concentrated on a single financial asset or financial assets group with similar characteristics.

1.3 Liquidity risk

In managing the liquidity risk, the Group maintains and monitors the cash and cash equivalents that the management considers adequate to meet the Group's operational needs and mitigate the impact of fluctuations in cash flows. The management of the Group closely monitors the liquidity situation and expects to have sufficient sources of financing to finance the Group's operations. The management of the Group believes that the Group does not have any significant liquidity risk.

2. TRANSFER OF FINANCIAL ASSETS

Financial assets transferred but not derecognised as a whole

At the end of the period, the Group endorsed bills receivable classified as financing receivables of RMB1,308,273,481.00 (At the end of last year: RMB1,493,899,701.86) to its suppliers to pay the accounts payable; discounted bills receivable of RMB157,656,990.53 (At the end of last year: RMB154,836,626.87) to bank to obtain currency funds. The Group believes that the risk and rewards of the ownership of such endorsed or discounted bills receivable have been substantially transferred to the supplier or discounting bank, therefore derecognized such endorsed or discounted bills receivable. If the acceptor can't cash such notes, according to relevant laws and regulations of China, the Group is held jointly liable for such bills receivable. The Group believes that as the acceptor is of good reputation, there is minor risk of the acceptor's failure to cash the notes upon maturity. At the end of the period, if the acceptor fails to cash such notes upon maturity, i.e. the Group's maximum exposure to loss is equivalent to the amount that the Group should pay the supplier or discounting bank in respect of such endorsed or discounted notes. For all the bills receivable endorsed to suppliers or discounted to bank, the maturity is within 1 year after the end of reporting year.

At the end of the period, the Group endorsed the amount presented under bills receivable of RMB1,209,023,929.58 (At the end of last year: RMB662,916,166.12) to its suppliers to pay the accounts payable, and discounted bills receivable of RMB15,547,866.84 (At the end of last year: RMB6,790,000.00) to bank to obtain currency funds. The Group believes that it retains substantially all risk and rewards of the ownership of such endorsed or discounted bills receivable (including relevant risk of default), therefore continues to recognize such endorsed or discounted bills receivable as well as the carrying amount of relevant accounts payable that have been repaid. After the endorsement or discounting of bills receivable, the Group does not retain any right to use such endorsed or discounted notes, including selling, transferring or pledging such endorsed or discounted notes to any third party.

3. CAPITAL MANAGEMENT

The Group manages capital by optimizing the structure of liabilities and shareholders' equity to ensure that entities within the Group maintain operations while maximizing shareholder returns.

The capital structure of the Group consists of the Group's net debt and shareholders' equity.

The Group is not subject to external mandatory capital management requirements.

The Group manages and adjusts the capital structure based on changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividends to shareholders or obtain additional capital from shareholders. The Group has not made any adjustments to the objectives, policies and processes of capital management.

9. DISCLOSURE OF FAIR VALUE

(1) Fair Value of the Closure Balance of Assets and Liabilities Measured at Fair Value

RMB

Items	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value				
(I) Trading financial assets	–	62,739.00	200,000,000.00	200,062,739.00
(1) Bank wealth management products	–		200,000,000.00	200,000,000.00
(2) Derivative financial assets		62,739.00		62,739.00
(II) Financing receivables	–		531,196,547.78	531,196,547.78
Total assets that continue to be measured at fair value	–	62,739.00	731,196,547.78	731,259,286.78

(2) The Basis for Determining the Market Value of the Item Continuing Measured at Level 1 fair Value

The item continuing to be measured at the level 1 fair value refers to other equity instruments, with fair value quoted in the active market.

(3) Valuation Techniques and Qualitative and Quantitative Information on Important Parameters Adopted for the Second Level of Continuous and Non-continuous Fair Value Measurement

RMB

Items	Fair value as at 30 June 2022	Valuation techniques	Main input value
Derivative financial assets − forward foreign exchange contracts	**76,558.35**	Discounted cash flow method	Forward exchange rate, discount rate
Trading financial assets − Foreign exchange option contract	**3,521,571.71**	Discounted cash flow method	Forward exchange rate, discount rate

(4) Valuation Techniques and Qualitative and Quantitative Information on Important Parameters Adopted for the Third Level of Continuous and Noncontinuous Fair Value Measurement

RMB

Items	Fair value as at 30 June 2022	Valuation techniques	Significant unobservable inputs	Scope period
Trading financial assets − bank wealth management products	**700,000,000.00**	Discounted cash flow method	Forward exchange rate, discount rate	3.70%
Financing receivables				

10. RELATED PARTIES AND RELATED PARTY TRANSACTION

1. THE GROUP'S SUBSIDIARIES

Please refer to "Interests in other entities".

2. THE GROUP'S JOINT VENTURE AND ASSOCIATE

The Group's joint venture and associate:

Name	Relationship with the Group
Jiaxing Kaihong Flat Supply Chain Management Co., Ltd. (嘉興凱鴻福萊特供應鏈管理有限公司)	Associate
Jiaxing Gas Group Co., Ltd. (嘉興市燃氣集團股份有限公司)	Associate

3. OTHER RELATED PARTIES OF THE GROUP

Enterprise name	Relationship with the connected party
Jiaxing Yihe Investment Co., Ltd. (嘉興義和投資有限公司)	Controlled by one of the actual controllers of the Company
Fengyang Hongding Port Co., Ltd. (鳳陽鴻鼎港務有限公司)	Controlled by one of the actual controllers of the Company

4. RELATED PARTY TRANSACTIONS

(1) Accepting labor service and purchasing products

RMB

Related party	Related party transaction	Amount in the current period	Amount in the last period
Jiaxing Kaihong Flat Supply Chain Management Co., Ltd. (嘉興凱鴻福萊特供應鏈管理有限公司)	Acceptance of service	**123,486,566.66**	111,135,494.36
Jiaxing Gas Group Co., Ltd. (嘉興市燃氣集團股份有限公司) (Note)	Purchase of raw materials	**113,681,503.02**	30,494,318.68

Note：Jiaxing Gas became an associate of the Group in June 2021. Therefore, the incurred amount of related transactions during the last statistical period represents the amount of tax-exclusive transactions that occurred after Jiaxing Gas became an associate of the Group until the end of last period.

(2) Related lease

RMB

Related party	Content of the related party transaction	Amount in the current period	Amount in the last period
Jiaxing Yihe Investment Co., Ltd. (嘉興義和投資有限公司)	House lease	**4,249,814.64**	3,880,265.34
Fengyang Hongding Port Co., Ltd. (鳳陽鴻鼎港務有限公司)	Pier lease	**825,688.08**	825,688.08

(3) Remuneration of key management personnel

RMB0'000

Items	Amount in the current period	Amount in the last period
Remuneration of key management personnel	**369.54**	364.63

5. AMOUNTS DUE TO/FROM RELATED PARTIES

(1) Receivables

RMB

Items	Related parties	Closing balance	Opening balance
Advance payments	Jiaxing Gas Group Co., Ltd. (嘉興市燃氣集團股份有限公司)	**859,709.94**	2,343,468.83
Other current assets	Fengyang Hongding Port Co., Ltd. (鳳陽鴻鼎港務有限公司)	–	412,844.04
Other current assets	Jiaxing Yihe Investment Co., Ltd. (嘉興義和投資有限公司)	**4,427,279.35**	–

(2) Payables

RMB

Items	Related parties	Closing balance	Opening balance
Trade payables	Jiaxing Kaihong Flat Supply Chain Management Co., Ltd. (嘉興凱鴻福萊特供應鏈管理有限公司)	**44,831,804.59**	28,449,581.64
Trade payables	Jiaxing Yihe Investment Co., Ltd. (嘉興義和投資有限公司)	–	173,342.70
Trade payables	Fengyang Hongding Port Co., Ltd. (鳳陽鴻鼎港務有限公司)	**414,844.04**	–

Authorized by the Company's 2019 annual general meeting, the first A share class meeting in 2020, and the first H share class meeting in 2020, the Company held the second meeting of the sixth session of the board of directors on 25 May 2021, in which the Resolution on the Reserved Grant of the Restricted A Shares To Participants was reviewed and approved. According to the resolution, the Company set the grant date on 25 May 2021 and granted 700,000 restricted A shares to 3 eligible participants, at the grant price of RMB14.23 per share. As of 25 July 2021, the Company has received a total of RMB9,961,000.00 of funds paid by 3 participants to subscribe for 700,000 RMB ordinary shares (A shares). The lock-up periods for the restricted shares are 12 months, 24 months, 36 months, 48 months, and 60 months from the date of completion of the first grant registration. For the restricted shares that have not been applied for unlocking or cannot be applied for unlocking due to failure to meet the unlocking conditions during the aforesaid unlocking periods, the Company will repurchase and cancel such restricted shares from relevant participants in accordance with the principles of the incentive scheme.

The Company held the sixth meeting of the sixth session of the board of directors and the fourth meeting of the sixth session of the board of supervisors on 9 August 2021 to review and approve the Resolution About the First Grant of the 2020 Restricted A Share Incentive Scheme for the First Part of the First Unlocking Period for the Achievement of Removing the Sales Restriction Conditions. According to the resolution, we lifted the sales restriction of the 920,000 restricted shares that met the conditions for lifting the restriction during the first lock-up period. The lifting of restrictions on sales has been authorised by the Company's 2019 annual general meeting, the first A share class meeting in 2020 and the first H share class meeting in 2020.

The Company held the 23rd meeting of the sixth session of the board of directors and the 20th meeting of the sixth session of the board of supervisors on 1 June 2022 to review and approve the Resolution About the First Grant of the 2020 Restricted A Share Incentive Scheme for the Reserved Part of the First Unlocking Period for the Achievement of Removing the Sales Restriction Conditions. According to the resolution, we lifted the sales restriction of the 140,000 restricted shares that met the conditions for lifting the restriction during the first lock-up period. The lifting of restrictions on sales has been authorised by the Company's 2019 annual general meeting, the first A share class meeting in 2020 and the first H share class meeting in 2020.

Unit: Share

	2020 A-Share Restricted Share Incentive Scheme	**2021 Share Option Incentive Scheme**
Total equity instruments outstanding at the beginning of the period	–	–
Total equity instruments granted for the current period	–	–
Total equity instruments unlocked for the current period	–	
Total equity instruments outstanding at the end of the period	–	–
Exercise price in respect of equity instruments outstanding at the end of the period	RMB6.23– RMB14.23	RMB44.02
Remaining contract terms in respect of equity instruments outstanding at the end of the period	Approximately 3.1 years	Approximately 4.4 years

2. Equity settled share-based payments

RMB

	Restricted A Share Incentive Scheme for 2020	Share option incentive scheme 2021
Method for determining the fair value as at the grant date	Open market quotation of the grant date	Black-Scholes Model
Basis for determining the number of equity instruments with exercisable rights	When the optionee reaches the exercise period in the stock option scheme, and meets the appraisal conditions of the Company's results and personal performance, the corresponding equity instrument is the equity instrument of the exercisable right	When the optionee reaches the exercise period in the stock option scheme, and meets the appraisal conditions of the Company's results and personal performance, the corresponding equity instrument is the equity instrument of the exercisable right
Reasons for significant differences of estimate between the current year and the previous period	–	–
Cumulative amount of equity settled share-based payment recognized into capital reserves	62,590,341.70	5,903,291.63
Total recognized fees of share-based payment settled in equity in the current period	11,097,301.30	4,745,697.72

12. COMMITMENTS AND CONTINGENCIES

1. Significant Matters of Commitments

As of the balance sheet date, the irrevocable purchase of long-term assets contracts signed by the Group is as follows:

RMB

Items	**Closing balance**	Opening balance
Contracted but not confirmed in the financial statements Purchase		
− Build long-term asset commitments	**4,695,672,830.89**	4,966,230,139.24
− Investment commitment	**−**	3,343,947,640.64

2. Contingencies

The Group does not have any significant contingencies that need to be disclosed.

13. OTHER SIGNIFICANT MATTERS

1. SEGMENT REPORT

(1) Basis and account policy of segment report

According to the internal organizational structure, management requirements and internal reporting system of the Group, the Group's operating activities are divided into five operating segments. Based on the operating segments, the Group has identified five reporting segments, namely the PV glass segment, the household glass segment, architectural glass segment, float glass segment and mining products segment. These reporting segments are based on product categories. The main products provided by each of the Group's reporting segments are PV glass, household glass, architectural glass, float glass and mining products. The management of the Group regularly evaluates the operating results of these segments to determine the resources to be allocated to them and to evaluate their performance. The evaluation does not include the review of the assets and liabilities of the operating segments.

Segment report information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. It has confirmed and measured segment report information in accordance with China accounting standards.

(2) Segment report information

RMB

	Amount in the current period							
	PV glass	Household glass	Architecture glass	Float glass	Mining products	Other business	Mutual offset among segments	Total
Segment operating revenue	6,468,102,101.23	180,626,503.87	319,281,955.84	154,622,632.87	161,935,169.23	19,922,975.92		7,304,491,338.96
Segment operating costs	4,979,453,429.31	140,807,844.37	259,332,168.10	149,299,046.80	118,124,117.56	3,492,062.30		5,650,508,668.44
Segment profit	1,488,648,671.92	39,818,659.50	59,949,787.74	5,323,586.07	43,811,051.67	16,430,913.62		1,653,982,670.52
Adjusted items:								
Less: Taxes and surcharges								45,449,665.35
Selling expenses								49,650,173.34
Administrative expenses								126,399,595.74
Research and development expenses								255,054,636.60
Financial expenses								76,768,433.12
Including: Interest expense								120,102,101.64
Interest income								25,481,363.85
Add: Other income								40,868,360.92
Investment income								4,199,843.60
Profit (losses)								

14. NOTES TO THE STATEMENTS OF THE PARENT COMPANY

1. TRADE RECEIVABLE

(1) Disclosed by the aging

RMB

Aging	Closing balance
Within 1 year	**946,141,641.60**
1–2 years	**21,768,719.73**
2–3 years	**1,100,733.39**
Over 3 years	**1,868,381.21**
Total	**970,879,475.93**

	Opening balance				
	Book balance		Bad debt provision		
Classification	Amount	Percentage (%)	Amount	Accrual Percentage (%)	Book value
Bad debt provision by portfolio					
Including:					
Low risk	163,791,056.47	44.02	–	–	163,791,056.47
Normal	151,140,825.52	40.62	3,808,748.80	2.52	147,332,076.72
Concerned	48,127,930.42	12.93	11,657,475.13	24.22	36,470,455.29
Loss	9,035,293.16	2.43	9,035,293.16	100.00	–
Total	372,095,105.57	/	24,501,517.09	/	347,593,588.48

Bad debt provision by portfolio

RMB

	Closing balance		
Name	Trade receivables	Bad debt provision	Provision percentage (%)
Low risk	**260,082,532.32**	**–**	**–**
Normal	**654,902,993.87**	**11,526,292.69**	**1.76**
Concerned	**53,921,147.75**	**20,307,227.08**	**37.66**
Loss	**1,972,801.99**	**1,972,801.99**	**100.00**
Total	**970,879,475.93**	**33,806,321.76**	**3.48**

(3) Changes in credit loss provisions of trade receivables

RMB

Classification	Opening balance	Change of amount in the current period		Closing balance
		Provision	Reversal	
Bad debt provision	24,501,517.09	9,304,804.67	–	**33,806,321.76**
Total	24,501,517.09	9,304,804.67	–	**33,806,321.76**

(4) Details of top five trade receivables with the closing balances classified by the borrowers

At the end of the period, the top five trade receivables of the Group with the closing balances classified by the borrowers amounted to RMB589,618,034.52 (as at the end of the previous year: RMB209,629,403.13), accounting for 60.73% (as at the end of the previous year: 56.34%) of the total balance of trade receivables and the provision for credit losses of top five trade receivables amounted to RMB7,589,373.89 (as at the end of the previous year: RMB1,644,474.68).

2. OTHER RECEIVABLES

RMB

Items	Closing balance	Opening balance
Dividend receivables	**148,731,538.16**	800,000,000.00
Other receivables	**1,594,052,533.27**	1,037,334,934.64
Total	**1,742,784,071.43**	1,837,334,934.64

Dividend receivables

Items (Invested unit)	**Closing balance**	Opening balance
Zhejiang Jiafu Glass Co., Ltd.	**148,731,538.16**	800,000,000.00
Total	**148,731,538.16**	800,000,000.00

Other receivables

(1) Disclosed by aging

RMB

Aging	**Closing book balance**
Within 1 year	**1,262,838,619.62**
1–2 years	**315,731,700.00**
2–3 years	**21,000.00**
Over 3 years	**15,461,213.65**
Total	**1,594,052,533.27**

(2) Other receivables classified by nature

RMB

Nature	**Closing book balance**	Opening book balance
Amount due from subsidiaries	**1,593,362,013.65**	1,031,644,847.53
Margin	**306,000.00**	5,306,000.00
Reserve fund	**40,000.00**	40,000.00
Deposit	**81,000.00**	81,000.00
Others	**263,519.62**	263,087.11
Total	**1,594,052,533.27**	1,037,334,934.64

(3) Details of top five other receivables with the closing balance classified by the borrower

RMB

Name	Amount nature	Closing balance	Percentage in the total Closing balance of other receivable (%)
First	Current account of related parties	1,102,544,013.65	69.17
Second	Current account of related parties	489,318,000.00	30.70
Third	Current account of related parties	1,500,000.00	0.09
Fourth	Margin	195,000.00	0.01
Fifth	Margin	100,000.00	0.01
Total		1,593,657,013.65	99.98

3. LONG-TERM EQUITY INVESTMENT

RMB

Items	Closing balance	Opening balance
Investment in subsidiary	**4,148,137,343.00**	1,343,137,343.00
Investment in joint venture and associate	**9,215,647.72**	6,921,828.12
Total	**4,157,352,990.72**	1,350,059,171.12

(1) Investment in subsidiary

RMB

Invested unit	Opening balance	Increased amount in the current period	Decreased amount in the current period	Closing balance
Zhejiang Flat Glass Co., Ltd.	10,000,000.00	–	–	**10,000,000.00**
Zhejiang Jiafu Glass Co., Ltd.	150,000,000.00	–	–	**150,000,000.00**
Shanghai Flat Glass Co., Ltd.	70,000,000.00	–	–	**70,000,000.00**
Anhui Flat Solar Glass Co., Ltd.	1,000,000,000.00	–	–	**1,000,000,000.00**
Anhui Flat Solar Material Co., Ltd.	30,000,000.00	–	–	**30,000,000.00**
Flat (Hong Kong) Limited	66,137,343.00	–	–	**66,137,343.00**
Jiaxing Flat New Energy Technology Co., Ltd.	10,000,000.00	–	–	**10,000,000.00**
Flat (Jiaxing) Import and Export Trade Limited	7,000,000.00	–	–	**7,000,000.00**
Flat (Suqian) Solar Glass Co., Ltd.	–	–	–	**–**
Flat (Nantong) Solar Glass Co., Ltd.	–	–	–	**–**
Shanghai Flat Technology Development Co., Ltd.	–	–	–	**–**
Anhui Dahua Oriental Mining Co., Ltd.	–	2,065,000,000.00	–	**2,065,000,000.00**
Anhui Sanli Mining Co., Ltd.	–	740,000,000.00	–	**740,000,000.00**
Total	1,343,137,343.00	2,805,000,000.00	–	**4,148,137,343.00**

(2) Investment in joint venture and associate

RMB

Investees	Opening balance	Investment gains and loss recognized under the equity methods	**Closing balance**
Associate			
Kaihong Flat	6,921,828.12	2,293,819.60	**9,215,647.72**
Total	6,921,828.12	2,293,819.60	**9,215,647.72**

4. OPERATING REVENUE AND COST

(1) Operating revenue and operating cost

RMB

Items	Amount for the period		Amount for last period	
	Revenue	Cost	Revenue	Cost
Main business	**2,108,235,900.68**	**1,720,656,556.48**	1,844,919,841.98	1,404,141,466.45
Other business	**255,958,513.04**	**230,936,762.36**	172,047,060.48	133,865,447.59
Total	**2,364,194,413.72**	**1,951,593,318.84**	2,016,966,902.46	1,538,006,914.04

(2) Revenue from contract

RMB

Contract classification	Amount for the Period
Categories of goods	
PV glass	**1,521,103,033.03**
Float glass	**171,041,246.98**
Household glass	**96,298,432.07**
Architectural glass	**319,793,188.60**
Ore	**–**
Income from other business	**255,958,513.04**

5. INVESTMENT INCOME

RMB

Items	Amount for the Period	Amount for last period
Income from long-term equity investments under the equity method	**2,293,819.60**	2,834,046.74
Total	**2,293,819.60**	2,834,046.74

Supplementary Information

1. DETAILS OF CURRENT PERIOD EXTRA-ORDINARY PROFIT OR LOSS

RMB

Items	Amount for the Period
Losses on disposal of non-current assets	(9,150,998.74)
Government grants recorded in current profit or loss (except for government grants closely associated with the business of the Company in fixed amount or fixed quantity according to national policies)	38,565,098.45
Apart from hedging instruments relating to the normal operations of the Company, gains from change in fair value of held-for trading financial assets, derivative financial assets and derivative financial liabilities, and investment income from disposal of the above financial assets/liabilities and financing receivables	4,277,789.06
Other non-operating income and expenses other than above	(975,858.12)
Subtotal	32,716,030.65
Effects of income tax	(5,049,501.89)
Effects on minority interests	–
Total	27,666,528.76

2. RETURN ON EQUITY AND EARNING PER SHARE

The calculation form of the return on equity and earnings per share is prepared in accordance with the relevant provisions of Public Issuance of Securities Companies Information Disclosure and Compilation Rules No. 09 – Calculation and Disclosure of Return on Net Assets and Earnings Per share (Revised in 2010) (CSRC Announcement [2010] No. 2) issued by the China Securities Regulatory Commission.

RMB

Profit in the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	8.09	0.47	0.44
Net profit attributable to ordinary shareholders of the Company excluding non-recurring items	7.87	0.46	0.42