

**SHANGHAI YAOHUA PILKINGTON GLASS GROUP
CO., LTD.
600819
ANNUAL REPORT 2019**

Important Prompt

- I. The Board, the Supervisory Committee and all directors, supervisors and senior officers of the Company commit that there is no false record or misleading statement or omission of material importance in the content of this annual report, and will bear individual and joint responsibility to the authenticity, accuracy and integrity of this report.
- II. All directors were present at the board meetings.
- III. Zhonghua Certified Public Accountants LLP issued standard unqualified Audit Report.
- IV. Mr. Zhao Jian, the Chairman of the Company, Mr. Gao Fei, the in charge person of accounting function and Mr. Zeng Yupeng, the in charge person of accounting department jointly declare the authenticity, accuracy and integrity of the financial statements in this annual report.
- V. Profit distribution plan or use capital surplus to enlarge share capital approved by the board of directors
In accordance with the relevant regulations of *Guidance of Cash Dividend Allocation of Listed Companies* issued by SSE as well as the *Articles of Association* of the Company, and considering the actual situation of the Company, the profit for 2019 to be distributed is planned as below:
The profit distribution will take place based on the total equity on the share record date of the dividend appropriation (the date will be clarified in the public announcement on dividend appropriation) to allocate cash dividend of RMB 0.67 (tax inclusive) for every 10 shares, it is proposed to allocate total cash dividend of RMB 62,639,376.62 based on the total share capital of 934,916,069 shares by 31 December 2019, If the total equity changes before the share record date, the Company will maintain the total amount of profit distribution but change the dividend allocation amount per share and the Company will publish additional announcement for details. The Company has no intention of issuing bonus shares or converting capital reserve to share capital.
The plan will be carried out upon the approval of the Annual Shareholders' General Meeting for 2019.
- VI. Risk pre-caution statement to the description of future development plan
√ Applicable N/A
As there are uncertainties in the description of the Company's future development plan in the annual report, the Company takes no material commitment to investors who should be aware of possible risks.
- VII. Is there any non-operating fund occupied by controlling shareholder and its related parties?
No.
- VIII. Is there any outward guarantee provided in violation of the regulated decision-making procedures?
No.
- IX. Major risk prompt
The Company states the industry and market risks in the report, please refer to the

discussion and analysis of the Company's future development in "IV. Operation and Analysis of the Management" which mentions the possible risks and resolutions.

- X. Others
 Applicable N/A

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I. Abbreviation

Unless otherwise clearly indicated by the context, terms used in this Report shall have the following meanings:

Abbreviation		
CSRC	means	China Securities Regulatory Commission
SSE	means	Shanghai Stock Exchange
The Company or SYP	means	Shanghai Yaohua Pilkington Glass Group Co., Ltd.
SBM	means	Shanghai Building Materials (Group) Co., Ltd.
Pilkington	means	Pilkington International Holdings BV
China Composites	means	China Composites Group Co., Ltd.
Hong Kong Haijian	means	Hong Kong Haijian Industrial Co., Ltd.
SYPB	means	Shanghai SYP Building Glass Co., Ltd.
SYPE	means	Shanghai SYP Engineering Glass Co., Ltd.
TSYPE	means	Tianjin SYP Engineering Glass Co., Ltd.
JSYPE	means	Jiangmen SYP Engineering Glass Co., Ltd.
CSYPE	means	Chongqing SYP Engineering Glass Co., Ltd.
TSYP	means	Tianjin SYP Glass Co., Ltd.
JSYP	means	Jiangsu Pilkington SYP Glass Co., Ltd.
HSYP	means	Jiangsu Huadong SYP Glass Co., Ltd.
GSYP	means	Guangdong SYP Glass Co., Ltd.
CSYP	means	Changshu SYP Special Glass Co., Ltd.
SYPKA	means	SYP Kangqiao Autoglass Co., Ltd.
WSYPA	means	Wuhan SYP Kangqiao Autoglass Co., Ltd.
YSYPA	means	Yizheng SYP Autoglass Co., Ltd.
CSYPA	means	Changshu SYP Autoglass Co., Ltd.
TSYPA	means	Tianjin SYP Autoglass Co., Ltd.
SYP Shijin	means	Shanghai SYP Shijin Glass Co., Ltd.
Glasslink	means	Glasslink Limited
SYP Investment	means	Shanghai SYP Investment Co., Ltd.
SYP - CHENGDING	means	SYP – CHENGDING Industry Investment Fund (limited partnership)
RMB or yuan	means	Chinese Yuan, currency unit in China

II. Corporate Profile and Major Financial Index

1. Company Information

Chinese Name of the Company	上海耀皮玻璃集团股份有限公司
Chinese Name Abbreviation	耀皮玻璃
English Name of the Company	Shanghai Yaohua Pilkington Glass Group Co., Ltd.
English Name Abbreviation	SYP
Legal Representative	Zhao Jian

2. Contact Person and Information

	Secretary to the Board	Stock Representative
Name	Lu Minghong	Huang Bing
Address	Building 4-5, 1388 Zhangdong Road, Pudong New Area, Shanghai	Building 4-5, 1388 Zhangdong Road, Pudong New Area, Shanghai
Telephone Number	0086-21-61633599	0086-21-61633599
Fax Number	0086-21-58801554	0086-21-58801554
E-mail address	stock@sypglass.com	stock@sypglass.com

3. Basic Information

Registered address	Building 4-5, 1388 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone
Zip code	201203
Office address	Building 4-5, 1388 Zhangdong Road, Pudong New Area, Shanghai
Zip code	201203
Website	www.sypglass.com
E-mail address	stock@sypglass.com

4. Information Disclosure

Newspapers for information disclosure	<i>Shanghai Securities News</i> <i>Hong Kong Ta Kung Pao</i>
Website for publishing Annual Report designated by CSRC	http://www.sse.com.cn
Place for Annual Report inspection	Office of the Board of Directors

5. Stock Information

Brief Information of the Stock			
Type	Place of listing	Stock abbreviation	Stock code
A Share	SSE	SYP Glass	600819
B Share	SSE	SYP B share	900918

6. Other relevant information

Name of the Public Accountants employed by the Company (domestic)	Name	Zhong Hua Certified Public Accountants LLP
	Address	6/F the Bund Square, 100 South Zhongshan Road, Shanghai
	Signed Accountants	Rong Kaiyu, Xiong Yang
Name of the Public Accountants employed by the Company (domestic)	Name	
	Address	
	Signed Accountants	
Name of the sponsor performed supervision duty for the Company in the	Name	
	Address	
	Signed Sponsor	

reporting period	Representative	
	Supervision Period	
Name of the financial consultant performed supervision duty for the Company in the reporting period	Name	
	Address	
	Signed Financial Consultant Representative	
	Supervision Period	

7. The major accounting and financial indices for the last three years at the end of the reporting period

(1) Main accounting data

Unit: RMB

Major Accounting Data	2019	2018	+/- (%)	2017
Operating Revenue	4,511,016,242.55	3,857,409,863.63	16.94	3,273,427,196.95
Net Profit attributable to shareholders of the parent company	208,497,447.62	90,681,852.23	129.92	47,947,535.21
Net profit attributable to shareholders of the parent company deducting extraordinary gains and losses	137,354,316.20	-19,469,828.58	N/A	-90,833,539.62
Net cash flow from operating activities	598,270,658.67	376,937,934.37	58.72	172,375,431.81
	31 Dec 2019	31 Dec 2018	+/- (%)	31 Dec 2017
Net assets attributable to shareholders of the parent company	3,288,240,436.71	3,083,545,318.16	6.64	3,007,822,123.03
Total Assets	7,106,136,466.55	7,293,966,646.70	-2.58	7,015,456,690.71

(2) Major Financial Data

Major Accounting Data	2019	2018	+/- (%)	2017
Basic earnings per share (RMB/share)	0.22	0.10	120.00	0.05
Diluted earnings per share (RMB/share)	0.22	0.10	120.00	0.05
Basic earnings per share excluding extraordinary gains and losses (RMB/share)	0.15	-0.02	N/A	-0.10
Weighted average ROE (%)	6.54	2.98	Increased 3.56 percentage points	1.59

Weighted average ROE excluding extraordinary gains/losses (%)	4.31	-0.64	Increased 4.95 percentage points	-3.01
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Explanation of the accounting data and financial indices for the last three years at the end of the reporting period.

Applicable N/A

8. Accounting data differences due to different accounting standard overseas and domestically.

(1) Differences of net profit and net assets attributable to the parent company when applying International Accounting Standard and China Accounting Standard.

Applicable N/A

(2) Differences of net profit and net assets attributable to the parent company when applying overseas accounting standard and China Accounting Standard.

Applicable N/A

(3) Difference of overseas and domestic accounting standard

Applicable N/A

9. Major financial data for 2019 by quarter

Unit: RMB

	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
Operating Revenue	1,058,059,523.34	1,079,053,025.58	1,169,426,813.83	1,204,476,879.80
Net profit attributable to shareholders of the parent company	33,942,823.79	48,671,690.10	53,626,777.82	72,256,155.91
Net profit attributable to shareholders of the parent company deducting extraordinary gains and losses	12,052,263.58	29,289,702.03	36,541,429.89	59,470,920.70
Net cash flow from operating activities	-26,123,516.56	268,071,099.85	43,033,480.77	313,289,594.61

Explanation of difference between financial data by quarter and the data disclosed in periodic report.

Applicable N/A

10. Items and amount of extraordinary gains and losses

Applicable N/A

Unit: RMB

Items of extraordinary gains and losses	2019	2018	2017
Gains or losses from disposal of non-current assets	-9,979,695.56	-319,375.12	215,696.26
Government subsidies recorded in the gains and losses of this reporting period (except for those closely related to company businesses and enjoyed	75,484,364.51	77,984,316.62	87,408,538.26

according to the state uniform standard quota or ration)			
Gains and losses of entrusting other institution for investment and capital management		17,804,513.06	52,818,974.22
Fair value change gains and losses from tradable financial assets and tradable financial liabilities except for the effective hedging businesses related to the normal operation businesses of the Company, as well as investment returns from the disposal of tradable financial assets, tradable financial liabilities and available-for-sale financial assets	/	24,109,521.19	939,407.56
Fair value change gains and losses from tradable financial assets, derivative financial assets, tradable financial liabilities and derivative financial liabilities except for the effective hedging businesses related to the normal operation businesses of the Company, as well as investment returns from the disposal of tradable financial assets, derivative financial assets, tradable financial liabilities, derivative financial liabilities and other creditor's investment	11,852,546.75		
Other non-operating income and expenses besides above items	-394,753.87	77,595.67	1,671,102.62
Affected interests of minority shareholders	-4,820,266.19	-7,368,702.20	-3,716,462.93
Income tax affected	-999,064.22	-2,136,188.41	-556,181.16
In Total	71,143,131.42	110,151,680.81	138,781,074.83

11. The fair value measurement items

√ Applicable □ N/A

Unit: RMB

Item	Beginning Balance	Ending Balance	+/-	Influence on profit for 2019
Tradable financial assets – equity instrument investment	18,007,766.40	-	-18,007,766.40	5,810,229.91
Tradable financial assets – bank financial products	60,000,000.00	261,000,000.00	201,000,000.00	6,042,316.84
Other non-current financial	-	15,000,000.00	15,000,000.00	-

assets – fund investment				
In Total	78,007,766.40	276,000,000.00	197,992,233.60	11,852,546.75

12. Others

Applicable N/A

III. Business Outline

1. Main business, operation model and industry situation in the reporting period

(1) Main business

The main business of the Company is production and sale of float glass, processing glass and automotive glazing.

Float glass: The Company has one production site in Tianjin and Changshu respectively, the four advanced production lines are capable of producing about 680 thousand tons of high-end raw glass annually, the products include high-end automobile raw glass, EA online Low-E coating glass, ultra-clear glass, special energy-saving float glass and aerospace raw glass, etc.

Architectural Processing glass: The Company has four plants in Shanghai, Tianjin, Jiangmen and Chongqing, which are the suppliers of architecture processing glass for high-end projects. The sites mainly produce high performance, environmental friendly and energy saving offline Low-E coated, insulated, laminated and glazed building glass. Currently, the Company has annual capacity of around 8.5 million sqm of insulated glass and about 14.5 million sqm of coated glass. The product quality and service was highly recognized by customers, and was applied to many landmark energy-saving architectures like Beijing CITIC Tower, Shanghai World Financial Center, Shanghai Center, Beijing Daxing International Airport, Pudong International Airport, Hong Kong International Commerce Centre, Wuhan Hang Lung Plaza, Lanzhou Hongyun Jinmao Plaza, Tokyo Sky Tree, Marina Bay Sands Singapore, Kuwait Al-Hamar Luxury Centre, Russia Federal Building and South Korea Lotte World Tower.

Automotive glazing: There are five sites in Shanghai, Yizheng, Wuhan, Changshu and Tianjin which engage in OEM glass, glass assembly R&D, production and sale. The main products include windshield, backlite, door glass and sunroof glass. The Company has been the excellent supplier of world famous automobile manufacturers like Shanghai GM, Shanghai VW, SAIC Passenger Vehicle, Guangzhou Automobile and Daimler, etc.

(2) Main operation pattern

The Company insisted on industrial development strategy of downstream and upstream integration and competitive strategy of product differentiation, established information platform to centralized the management of procurement, R&D and administration and managed the production, operation and sales by business unit.

(3) Industry Situation

In the reporting period, the whole glass industry kept making profit contributed by the acceleration of real estate completion, glass industry self-discipline, capacity coordination, and large-scale development of regional key cities. But, the real estate regulation, tighter environment protection policy and weak demand on automobile market has negative influence on the glass industry.

Float: the float market had a slight upswing in 2019 and almost kept the balance between supply and demand. For cost, the raw materials price of natural gas, sodium carbonate and sandstone rose and maintained in a high level that put pressure on the industry. For supply, the year output was 1020 million weight cases, shrinking 1.26% on a yearly basis, the storage increased first and then dropped. For demand, the growth rate of real estate slowed down

comparing with the last two years and the industry regulation kept deepening. However, the project completion of real estate accelerated and development of regional key cities like Guangdong-Hong Kong-Macao Greater Bay Area, Wuhan and Xi'an strengthened.

Architectural processing glass: the real estate industry scale expanded slightly in comparison of year 2018, new construction area grew in a low level, storage for commercial projects increased, the depressed real estate market affected the demand on architectural processing glass and led to fierce market competition. Thanks to the higher standard of energy-saving, environment protection, quality and service required by commercial real estate, the orders from qualified enterprises soared.

Automotive glazing: Affected by Sino-US economic and trade friction, new environment protection standard and decreased subsidy to new-energy vehicles, the automobile industry faced many challenges in 2019, production and sales volume and major economic indices of the industry incurred negative growth. According to the survey by China Association of Automobile Manufacturers, the production and sales volume for 2019 was 25.721 million vehicles and 25.769 million vehicles, decreasing by 7.5% and 8.2% respectively on a yearly basis. Aforementioned situation led to automotive glazing recession in a short term. However, in view of the huge automobile market in China and the rapid products upgrade, there are opportunities in the medium and long term.

(Relevant data resources: National Bureau of Statistics, Glass.com.cn and China Association of Automobile Manufacturers)

2. Major assets changes in the reporting period

Applicable N/A

3. Core competitiveness

Applicable N/A

The Company paid great attention to the high quality development since the establishment, insisted on differentiation and integration strategy, advances technical innovation, management innovation, completed product mix, upgrades products, optimized production system, enhances productivity and improved brand influence. The Company's core competitiveness mainly reflected in flowing aspects:

- (1) Professional management and R&D team. The Company put emphasis on elite cultivation and has a positive, creative, experienced management and R&D team.
- (2) Strong independent R&D and technical innovation ability. The Company always put emphasis on developing new technology and products since the establishment, introduced international advanced technologies, promoted product upgrade and technical innovation. The Company has developed a series of products with independent intellectual property right, owned more than 30 patents which were applied to the market popularly and were favorable to the Company's sustainable development and competitiveness.
- (3) Excellent corporate culture. The Company insisted on the corporate concept of "Never Stop for New Aspiration", operation concept of "customer-oriented, management optimization, differentiation strategy and EVA improvement" as well as the values of "Customer satisfaction, employee self-fulfillment, corporate development and social progress are the most valuable things to realize".
- (4) Advanced facilities. The main facilities used by all sites of the Company are all imported in order to ensure the high quality of the products.
- (5) Good relationship with customers and creative service. The Company paid attention to customer relationship and customer demand and gave professional solutions. The Company gained recognition from customers and market in product quality, technology,

supply ability and reputation.

- (6) Completed governance structure. Based on completed governance structure and standard management system, the Company continued innovating operation system, strictly control operational risk and laid foundation for the Company's long-term development. There was no change for core competitiveness in the reporting period.

IV. Management Discussion and Analysis

1. Discussion and analysis of the Management

The Company fought for sound business performance and realized a fruitful year. Facing the complicated and changing market environment domestically and overseas, the Board of Directors insisted on "Float-Leading, Automotive glazing – Expansion, Processing – competitive, Special Glass - Diversify" based on national industrial policy, development strategy of the Company, advanced high quality development, technical innovation, strengthened independent R&D, completed industrial layout, developed dominant business segment and consolidated internal management, the main business improved steadily. The main works for 2019:

(1) Float glass segment developed new business to consolidated the differentiation strength. Sales of automotive glazing raw glass was affected by the depressed automobile market. Therefore, the float segment further deepened high-end differentiation strategy of the Company, refined products, improved quality and yield, adjusted product mix, increased varieties and explored overseas market. Tianjin site succeeded in producing private glass, on-line coated self-cleaning glass and grey coated glass and had a breakthrough in exporting PG to NSC Japan.; Changshu site kept high yield and increased the output of high value-added products like industrial glass and realized the export, actively developed overseas market of F Green glass to relieve the impact from the depressed domestic automobile market, successfully produced and delivered aerospace raw glass, which made the Company one of the few suppliers in the world. SYP aerospace raw glass was awarded as new product with international advanced technology and was recommended for National Price for Progress in Science and Technology, it got recognition from all parties for the economic and social benefit.

(2) Automotive glazing segment enhanced technical advantage in the severe market

Facing the slowdown of automobile market growth, the automotive glazing segment sought for ways to make profit, based on the technology and experience in market development through wide varieties, multi-industry and multi-channel, the segment optimized product mix and customer structure, increased export, extended industry chain, cooperated with strategic partner NSG – Pilkington closely to prevent risks. For customer, the segment realized the cooperation with Beijing Hyundai in North China market, Daimler in high-end market and the dominant company Yutong in bus manufacture industry; for product, the segment developed high value-added products like windshield and panoramic sunroof, deepened the cooperation with VW and GM depends on the NSG – Pilkington technology, positively involved in the design, R&D and production of products for high-end automobile brand domestically and overseas, won the recognition and realized the multi-channel sales; for market, developed several new projects in North America, realized export for glass applying to luxury bus, rail transit and all-terrain vehicle, expanded overseas market share of locomotive glass, meantime, developed window frame assembly independently to enhance the competitiveness.

(3) Architecture processing segment enhanced management and the business performance increased significantly

The segment strengthened marketing and internal management, the differentiation products like curved tempered glass and glass featuring over-length, oversize and super-thick

contributed in increasing new orders. The segment signed contracts for projects of Tianjin PAFC, Xi'an Convention Center, Shenzhen Tencent Digital Building, HQ of Shanghai New Development Bank, Suzhou IFC, Chengdu Tianfu International Airport, South China Operation Center of Alibaba, Thailand Airport, Korea Doosan Bundang Tower, Vietnam Metropolis Tower and London Nine Elms Square. The Gross margin increased significantly by adjusting product sales structure and increasing sales percentage of diversified and high value-added products. Each sites consolidated internal management, improved processing yield, adjusted product mix, increased output, further controlled cost and implemented performance appraisal, increased benefits by scale effect and improved indices greatly.

(4) Increased R&D investment, science and innovation motivated the development
R&D and innovation is the power for sustainable development of the Company, technological precedence is the most important feature in development strategy. The Company continued to increase R&D investment in 2019 and paid great attention to talent cultivation and appraisal and incentive. It was fruitful in developing high-tech and differentiation products for the three business segments. Float segment succeeded in high-end products of aerospace raw glass, online-coated crystal grey glass applying to architecture and European grey glass applying to electronic blackboard. Automotive glazing segment had 48 new products R&D in process, developed single-curvature and complex-curvature fixed quarter window, and had breakthrough in HUD windshield, triple silver Low-E windshield and electrochromic glass. Architectural processing segment was developing multi-curved (semi) tempered glass, borosilicate fire-resistant glass, tempered triple silver Low-E glass with high transmittance, lightweight PC Composite bullet-proof glass, colored tile glass and digital printing colored glass. Besides, a national-level scientific research platform was planned for sake of technical innovation of the Company. By the end of 2019, the Company owned 171 valid authorized patents, 38 of which were for invention.

(5) Projects in construction were advanced steadily, optimized strategic layout
According to the development strategy, the Company further completed industrial layout and developed leading business. Tianjin automotive glazing site was in the stage of commissioning and customer inspection, production ramp-up was in line with the plan; TSYP I shut down for cold repair since 5 Jun 2019, it is proposed to put into production as early as possible and sale orders have been signed. CSYP borosilicate fire-resistant glass project has been approved by the board of directors and began the construction. The production of high-end differentiation products will give great support to the sustainable development of the Company after the completion of the projects' construction.

(6) Centralized capital management to prevent financial risks
In accordance with risk prevention target proposed by the Board of Directors, the Company stipulated monthly capital plan based on operation status of each subsidiary to centralize the cash management. Meanwhile, on purpose of enhancing capital utilization efficiency, the Company used idle capital for financing investment on premise of preventing risk and ensuring the capital requirement of production and operation. In 2019, the average financing cost rate reduced year-on-year, and was controlled in budget, financial expenses decreased, which prevented the financial risk effectively. Net cash flow from operating activities amounted to RMB 598 million, up by 58.72% on yearly basis.

2. Main business of the Company

In the reporting period, the main business kept stable and sound growth mainly because architectural processing segment improved profitability and made profit significantly through actively expanding overseas market to increase new signing orders, advancing high-end differentiation products, optimizing sales structure and enhanced the sales of diversified and high value-added products; special glass insisted on product upgrade, developed high-

tech products and realized the R&D, production and sales of aerospace raw glass; meantime, the Company improved operation quality and main business significantly by strengthening R&D innovation, optimizing strategic layout and enhancing lean management.

By 31 Dec 2019, the Company had total assets of RMB 7106 million, 2.54% less than that in the beginning of the year; total liabilities were RMB 3086 million, 14.21% less than that in the beginning of the year; debt asset ratio was 43.43%, 5.9 percentage points less than that in the beginning of the year; equity attributable to the owner of the parent company was RMB 3288 million, 6.71% more than that in the beginning of the year; net cash flow from operating activities was RMB 598 million, up 58.72% year-on-year.

In the reporting period, the Company achieved operating revenue of RMB 4511 million, up 16.94% year-on-year; net profit attributable to owner of the parent company of RMB 208 million, up 129.92% year-on-year; net profit attributable to shareholders of the listed company deducting extraordinary gains/losses of RMB 137 million, increasing RMB 157 million year-on-year; comprehensive gross margin of 20.57%, up 2.89 percentage points year-on-year.

(1) Analysis of main business

1) Analysis of the changes in the statements of profit and cash flow

Unit: RMB

Item	2019 (Jan-Dec)	2018 (Jan-Dec)	+/- (%)
Operating Revenue	4,511,016,242.55	3,857,409,863.63	16.94
Operating Expense	3,537,208,166.50	3,146,125,303.39	12.43
Sales Expense	241,420,223.54	198,501,086.31	21.62
Management Expense	255,328,408.67	229,175,658.26	11.41
R&D Expense	175,370,294.12	140,073,278.01	25.20
Financial Expense	42,100,221.37	59,900,405.89	-29.72
Net cash flow from operating activities	598,270,658.67	376,937,934.37	58.72
Net cash flow from investing activities	-196,148,147.43	-154,066,552.89	N/A
Net cash flow from financing activities	-307,334,389.02	-60,699,441.00	N/A

2) Revenue and cost analysis

√ Applicable □ N/A

In the reporting period, float glass achieved revenue of RMB 1429.2077 million, increasing by 27.41% year-on-year and gross margin rose 0.53 percentage points, it was mainly because the sales of aerospace glass and product mix adjustment of float glass; sales structure of automotive glazing glass was changed due to the slowdown of automobile industry, the increasing price of some fuel material affected the gross margin except aerospace glass.

Architecture processing glass realized revenue of RMB 2118.6243 million, rising by 22.16% year-on-year and gross margin increased 6.52 percentage points, it was mainly because the business segment actively expanded overseas market to increase new signing orders, advanced high-end differentiation products, optimized sales structure and enhanced the sales of diversified and high value-added products.

Automobile glazing achieved revenue of RMB 1246.7165 million, up by 0.6% on a yearly basis and gross margin reduced 2.72 percentage points mainly because some products' price dropped affected by the slowdown of automobile industry and fiercer market competitiveness.

a. Main business situation according to industry, products and regions

Unit: ten thousand RMB

According to industry						
Industry	Operating Revenue	Operating Cost	Gross margin (%)	Operating Revenue +/- (%)	Operating Cost +/- (%)	Gross margin +/- (%)
Glass	443,468.14	352,231.38	20.57	17.23	13.12	Increased 2.89 percentage points
According to products						
Product	Operating Revenue	Operating Cost	Gross margin (%)	Operating Revenue +/- (%)	Operating Cost +/- (%)	Gross margin +/- (%)
Float Glass	142,920.77	115,720.68	19.03	27.41	26.58	Increased 0.53 percentage points
Architecture Processing Glass	211,862.43	166,955.41	21.20	22.16	12.83	Increase 6.52 percentage points
Automotive Glazing	124,671.65	104,490.54	16.19	0.60	3.41	Decreased 2.27 percentage points
Offset after consolidation	-35,986.71	-34,935.25	/	/	/	
According to Regions						
Region	Operating Revenue	Operating Cost	Gross margin (%)	Operating Revenue +/- (%)	Operating Cost +/- (%)	Gross margin +/- (%)
North China	54,986.03	43,398.23	21.07	3.19	-4.96	Rose 6.77 percentage points
East China	211,249.50	171,845.38	18.65	29.84	31.30	Decreased 0.9 percentage points
South China	55,491.32	42,626.67	23.18	32.89	25.88	Increased 4.27 percentage points
Central China	40,178.33	31,825.74	20.79	-17.53	-19.33	Increased 1.77 percentage points
Southwest China	34,286.55	31,003.68	9.57	2.20	1.59	Rose 0.54 percentage points
Overseas	47,276.41	31,531.68	33.30	23.54	1.74	Rose 14.29 percentage points

Statement of main business by industry, products and regions

Revenue increased in South China mainly because the regional sales orders rose contributed

by the policy for Guangdong-Hong Kong-Macao Greater Bay Area, the Company responded actively to the market change, enhanced product quality and comprehensive competitiveness.

b. Production and sales volume

√ Applicable □ N/A

Main Products	Unit	Production Volume	Sales Volume	Storage	Production Volume +/- (%)	Sales Volume +/- (%)	Storage +/- (%)
Float Glass	ten thousand tons	53.41	56.82	10.07	-9.21	8.33	-25.27
Architecture Processing Glass	ten thousand sqm	1,135.27	1,128.39	52.85	2.27	3.54	14.97
Automotive Glazing	ten thousand sqm	1,563.23	1,587.74	151.85	11.87	17.17	-13.90

Remarks: Production volume is the yield of finished products

c. Cost Analysis

Unit: ten thousand RMB

According to industry						
Industry	Cost Item	2019 (Jan-Dec)	The ratio to total cost of 2019 (%)	2018 (Jan-Dec)	The ratio to total cost of 2018 (%)	+/- (%)
Glass	Main business cost	352,231.38	100.00	311,368.34	100.00	13.12
According to products						
Product	Cost item	2019 (Jan-Dec)	The ratio to total cost of 2019 (%)	2018 (Jan-Dec)	The ratio to total cost of 2018 (%)	+/- (%)
Float Glass	Raw and auxiliary material	39,668.81	34.28	33,089.05	36.19	19.88
Float Glass	Labor	8,375.78	7.24	6,668.35	7.29	25.61
Float Glass	Others	67,676.09	58.48	51,665.68	56.52	30.99
Architecture Processing Glass	Raw and auxiliary material	124,162.43	74.37	109,132.93	73.75	13.77
Architecture Processing Glass	Labor	19,040.07	11.40	16,133.67	10.90	18.01

Architecture Processing Glass	Others	23,752.91	14.23	22,703.40	15.35	4.62
Automobile Glazing	Raw and auxiliary material	71,048.22	67.99	68,027.24	67.32	4.44
Automobile Glazing	Labor	15,349.87	14.69	15,559.79	15.40	-1.35
Automobile Glazing	Others	18,092.45	17.31	17,460.78	17.28	3.62

d. Main customers and suppliers

Applicable N/A

The aggregated sales revenue from the top five customers was RMB 932.9847 million, accounting for 21.04% of total sales revenue for 2019, among the top five customers, the related parties contributed sales revenue of RMB 0, accounting for 0% of total sales revenue for 2019.

The aggregated procurement expense for the top five suppliers was RMB 433.5989 million, accounting for 12.31% of total procurement expense for 2019, among the top five suppliers, the related parties gained procurement revenue of RMB 0, accounting for 0% of total procurement expense for 2019.

3) Expenses

Applicable N/A

4) R&D expense

Applicable N/A

Unit: RMB

Capital invested in R&D	175,370,294.12
Assets invested in R&D	-
R&D expense in total	175,370,294.12
The ratio of R&D expense to operating revenue (%)	3.89
No. of R&D people	256
The ratio of R&D people number to the total number of employee of the Company (%)	9.60
The ratio of R&D expenses invested by assets	0

Expense statement

Applicable N/A

5) Cash flow

Applicable N/A

Unit: RMB

Item	2019 (Jan-Dec)	2018 (Jan-Dec)	+/- (%)	Reason of the change
Cash received from tax refund	3,209,356.07	25,837,590.31	-87.58	VAT retention amount increased for deduction in

				2018, and there was no such income in 2019.
Payment of taxes and surcharge	208,183,024.10	132,461,058.36	57.17	Operating revenue increased so VAT rose.
Net cash flow from operating activities	598,270,658.67	376,937,934.37	58.72	Operating revenue increased, operating cost controlled well and storage reduced year-on-year.
Cash received from returns on investment	6,042,316.84	18,585,761.06	-67.49	Average financing scale reduced.
Cash received from disposal of fixed assets, intangible assets and other long-term assets	22,826,023.36	3,854,187.62	492.24	Cash received from disposal of intangible assets increased.
Cash received from capital contribution	134,017,105.25	-	N/A	Subsidiary received capital investment from shareholder
Cash received from borrowings	865,000,000.00	1,741,950,000.00	-50.34	Borrowing reduced and bank turnover loan decreased.
Cash received relating to other financing activities	49,500,000.00	-	N/A	The cash received from shareholders in 2019
Cash paid relating to other financing activities	3,854,529.56	678,000.00	468.51	Refund of capital investment increased.
Net cash flow from financing activities	-307,334,389.02	-60,699,441.00	N/A	Net cash flow from repayment of bank loan increased.
Effect of foreign exchange rate changes on cash and cash equivalents	1,905,115.65	106,329.13	1,691.72	Effected by foreign exchange rate changes.

(2) Major profit change caused by non-main business

√ Applicable □ N/A

- 1) Received revenue of RMB 11.8525 million by holding and disposing tradable financial assets;
- 2) Government subsidy gained this year and the years before contributed RMB 75.4844 million to the profit.

(3) Analysis of Balance Sheet

√ Applicable □ N/A

1) Balance Sheet

Unit: RMB

Item	2019 Ending Balance	The ratio to total assets (%) 2019	2018 Ending Balance	The ratio to total assets (%) 2018	-/+ (%)	Remarks
Tradable financial assets	261,000,000.00	3.67	-	-	N/A	Bank financing product was reclassified to the item in accordance with the new Financial Instruments Standard and the ending balance of bank financing product increased.
Notes receivable	132,904,061.42	1.87	457,241,078.72	6.27	-70.93	Bank's acceptance bill was reclassified to accounts receivable financing in accordance with the new Financial Standard, and the bank's acceptance bill the Company received as payments reduced.
Accounts receivable financing	349,522,984.45	4.92	-	-	N/A	Notes receivable - bank's acceptance bill was reclassified to the item in accordance with the new Financial Standard
Advances to Suppliers	84,367,519.73	1.19	124,730,924.34	1.71	-32.36	Advance payment for projects decreased.
Other current assets	38,572,942.44	0.54	186,920,354.72	2.56	-79.36	The ending balance of bank financing product

						in 2018 was reclassified to tradable financial assets in accordance with the new Financial Instruments Standard.
Other non-current financial assets	15,000,000.00	0.21	-	-	N/A	The industrial fund that the Company invested in 2019.
Construction in process	303,647,406.29	4.27	189,933,801.67	2.60	59.87	TSYP I cold repair and Changshu borosilicate fire-resistant glass profit
Deposit received	87,636,015.63	1.23	142,852,143.35	1.96	-38.65	Deposit received for glass decreased.
Other accounts payable	291,974,994.04	4.11	218,236,186.44	2.99	33.79	Account transfer among companies and accrued expenses increased.
Long-term borrowings	50,024,786.24	0.70	102,796,666.66	1.41	-51.34	Repayment for part of long-term borrowings and the long-term borrowings due within one year was reclassified to non-current liabilities due within one year.
Undistributed profit	717,491,458.35	10.10	539,253,140.08	7.39	33.05	Operating profit increased.

2) Restricted assets by 31 Dec 2019

Applicable N/A

- a. The Company's 2nd tier subsidiary WSYPA mortgaged its own land, property and fixed assets for loan of RMB 142,486,774.68.
- b. Monetary capital of RMB 107,597,174.47 was the restricted monetary deposit.
- c. Accounts receivable financing of RMB 67,641,924.66 was the restricted notes receivable the Company mortgaged for the business of commercial bill of exchange pool.

3) Other statement

Applicable N/A

(4) Analysis of industry operational information

Applicable N/A

Please refer to "III. Business Outline 1. Main business, operation model and industry situation in the reporting period" and "IV. Management Discussion and Analysis 3. The

discussion and analysis of the Company's future development" for details.

(5) Investment Analysis

1) The overall analysis of the outward equity investment

√ Applicable N/A

In the reporting period, the outward equity investment amounted to RMB 15 million, decreased RMB 34.9999 million over the last year.

a. Significant equity investment

√ Applicable N/A

① The Company convened the 6th Meeting of the 9th Board of Directors on 29 Jan 2019, the meeting approved the *Proposal on Consent for Investment of Shanghai SYP Investment Co., Ltd. in Shanghai Chengding Arcplus Construction Industry Equity Investment Fund (Tentative Name)* and agreed SYP Investment to invest RMB 50 million to the fund. SYP Investment has invested RMB 15 million by 31 Dec 2019.

② The Company convened the 13th Meeting of the 9th Board of Directors on 13 Dec 2019, the meeting approved the *Proposal on the Company's Acquisition of the Equity Interests Held by Pilkington Italy Unlimited in Jiangsu Pilkington SYP Glass Co., Ltd. and Tianjin SYP Glass Co., Ltd.* In this acquisition, the Company will pay a total of RMB 39.20 million to Pilkington Italy Unlimited for the equity interests, the transaction price of equity transfer should be confirmed according to the net assets filed by Shanghai State-owned Assets Supervision and Administration Commission, the evaluation will be based on the date on 31 Dec 2018 and the transaction will adopt undisclosed agreement. Equity transfer procedure was in process by 31 Dec 2019.

③ The Company convened the 1st Extraordinary Shareholders' General Meeting on 30 Dec 2019 and approved the *Proposal on Capital Increase to Majority-owned Subsidiary SYP Kangqiao Autoglass Co., Ltd.* Both the Company and SBM increase RMB 49.5 million, Pilkington will increase RMB 202,047,050.09 and RMB 26,344,553.47 equivalent US Dollars. After the capital increase, The Company will hold 4.0193% SYPKA equity, SBM will hold 36.103% equity, Pilkington will hold 20% SYPKA equity and Hong Kong Haijian will 3.704% SYPKA equity.

The capital increase was in process by 31 Dec 2019.

b. Major non-equity investment

√ Applicable N/A

① The Company convened the 4th Meeting of the 9th Board of Directors on 29 Oct 2018, the meeting approved the *Proposal on TSYPI Cold Repair*. The project launched in 5 Jun 2019.

② The Company convened the 6th Meeting of the 9th Board of Directors on 29 Jan 2019, the meeting approved the *Proposal on Changshu Autoglass II Project*. The total investment aggregates to RMB 578 million. The project construction will be carried out in three phases taking account of the prudent operation and has launched by 31 Dec 2019.

③ The Company convened the 12th Meeting of the 9th Board of Directors on 21 Nov 2019, the meeting approved the *Proposal on Technical Transformation Project of Controlled Subsidiary Changshu SYP Special Glass Co., Ltd. regarding Borosilicate Fire-resistant Glass*. CSYP will invest RMB 81.7 million by own fund for the technical transformation. The project began the construction by the end of the reporting period.

c. Financing assets calculated by fair value

√ Applicable N/A

Unit: RMB

Type	Stock Abbreviation	Beginning Book Value	Ending Book Value	Accounting Item
Equity Instrument	Huapont Health	18,007,766.40	-	Tradable financial assets
Bank Financing	Commercial bank financing product	60,000,000.00	261,000,000.00	Tradable financial assets
Fund Investment	Chengding Arcplus Fund	-	15,000,000.00	Other non-current financial assets
In total		78,007,766.40	276,000,000.00	

(1) Major assets and stock sale

 Applicable N/A

(1) Analysis of controlling subsidiaries and shareholding companies

 Applicable N/A

Subsidiary	Registration Place	Business Nature	Registered Capital	Total Assets (RMB)	Net Assets (RMB)	Net Profit (RMB)
SYPB	Shanghai	Produce and sell glass	RMB 200 million	907,881,389.15	810,440,346.84	3,789,964.08
SYPE	Shanghai	Produce and sell glass	USD 24.3 million	537,973,517.68	273,109,287.09	5,248,286.43
TSYPE	Tianjin	Produce and sell glass	RMB 425 million	749,266,728.29	391,880,533.65	63,380,045.45
JSYPE	Jiangmen	Produce and sell glass	RMB 160 million	351,416,961.89	209,284,009.85	41,610,435.21
CSYPE	Chongqing	Produce and sell glass	RMB 275 million	483,608,644.38	245,913,644.45	24,855,399.76
TSYP	Tianjin	Produce and sell glass	RMB 736.1662 million	1,429,536,254.13	660,344,649.73	-44,183,753.49
JSYP	Changshu	Produce and sell glass	USD 48.33 million	608,509,181.65	-88,875,648.33	14,205,271.49
HSYP	Changshu	Produce and sell glass	RMB 200 million	501,530,615.93	272,801,470.70	26,935,159.03
CSYP	Changshu	Produce and sell glass	USD 85.92 million	256,022,329.07	212,453,722.93	62,753,326.20
SYPKA	Shanghai	Produce and sell glass	USD 125.6164 million	1,754,359,266.57	903,910,365.94	-4,953,589.38

WSYPA	Wuhan	Produce and sell glass	RMB 120 million	325,167,430.43	137,129,630.23	11,493,224.85
YSYPA	Yizheng	Produce and sell glass	RMB 400 million	440,201,682.33	303,375,881.42	9,687,773.19
CSYPA	Changshu	Produce and sell glass	RMB 200 million	144,862,259.51	96,823,449.07	4,971,941.02
SYP Shijin	Shanghai	Produce and sell glass	USD 1.5 million	5,594,673.35	3,405,086.03	59,844.57
TSYPA	Tianjin	Produce and sell glass	RMB 161 million	253,323,302.08	154,077,808.93	-6,784,322.85
GSYP	Shenzhen	Produce and sell glass	USD 20 million	7,667,456.27	7,469,723.71	29,173.72
Glasslink	Hong Kong	Trade and investment	USD 0.9 million	635,652,730.11	383,884,956.52	35,177,483.22
SYP Investment	Shanghai	Investment	RMB 100 million	99,284,376.03	99,284,376.03	18,123,773.88

(8) Structural subject controlled by the Company

Applicable N/A

3. The Company discussion and analysis of the Company's future development

(1) The industry competition and development trend

Applicable N/A

The glass industry oversupply situation is not changed. The stricter environment protection policy and the increasing market demand of high quality glass will further eliminate outdated capacity. Glass manufacturers are more concentrated, companies with technologies will dedicate to develop high value-added special glass instead of import.

Effected by the epidemic, the nation will increase the support for real estate development, the growth rate of land purchase area may keep rising in 2020. The control and coordination of outdated float glass capacity will keep the balance between production and sales. Architectural processing glass maintained a high storage and the price was inflexible in the first half year of 2020. After the epidemic prevention, the government will issue policies to motivate the economy, the demand and price in latter half year may increase, the business for whole year still has a growth. The sales volume and price of automotive glazing raw glass were shrunk affected by the depressed automobile market.

Architectural processing manufacturers are dispersed, capacity exceeds demand and market competition is fierce. However, the accelerated development of regional major cities and major customers' higher requirement for glass performance and delivery make it more competitive for big manufacturers of processing industry to get orders. In the first half year, processing companies were mainly affected by the delayed production, insufficient labor and transportation difficulties, in the latter half year, it will face the price increase in float raw glass and other raw materials.

Automotive glazing industry is still depressed in spite of the deep adjustment in 2019.

According to the survey taken by China Association of Automobile Manufacturers, affected by epidemic, the automobile production was recovered slowly and the market demand was depressed too. From Jan to Feb 2020, the production and sales of automobile was 2.048 million and 2.238 million vehicles, reducing by 45.8% and 42% respectively on yearly basis, which will have major influence on the automobile market for the first half year of 2020 and have impact on automotive glazing industry in the short term. But in the long term, China has ranked top.1 worldwide for 11 years for the aggregated amount of automobile production and sales, the government will issue policy to boost domestic demand, residents' consumption ability keeps improving, new energy technology is getting matured and applied, Chinese automobile industry and the related automotive glazing industry still have chance for development. There are opportunities and challenges in the future.

(2) Development Strategy

Applicable N/A

The Company will stick to development strategy of upstream and downstream integration and differentiation strategy, and target the high-end glass market for high performance, high quality and environment-friendly products.

The Company will continue to improve assets efficiency, profitability, operation quality and comprehensive competitiveness through technical innovation, new products R&D, product upgrade, service innovation and development of dominant business. Meanwhile, the Company will further optimize industrial and assets structure, improve integration of downstream and upstream, extend industrial chain, reinforce lean management, save operating cost and aim to be a comprehensive glass manufacturer at the cutting edge of the industry.

(3) Working Plan

Applicable N/A

The production and management of the Company has faced pressures since the breakout of COVID-19 epidemic in the beginning of 2020. In such a situation, the Company will fight for the established development strategy, ensure the sustainable development of the Company and create better returns for shareholders.

Work plan of the Company for 2020:

- 1) Float segment strengthens the leading position in producing high-end raw glass. Facing the increasing price of upstream raw materials and the depressed downstream demand, firstly, the Company will carry out elaborated processing to stable and enhance the yield. Secondly, put emphasis on the start-up after TSYP I cold repair and the construction of borosilicate fire-resistant glass project, actively maintain customer relationship, develop overseas and domestic market to resist risks, further strengthen R&D, focus on forward-looking scope to consolidate the competitiveness.
- 2) Innovation motivate the automobile glazing business. Facing the drop of sales volume and price of automobile market, the Company will deepen the market development, internal management, technical research as well as development and application of high-end differentiation products, stimulate impetus, increase cooperation with NSG-Pilkington in technology, product development and signing sales orders in Chinese market.
- 3) Ensure the stable and sound development of architectural processing glass segment. The four production sites will seize regional development opportunities and stipulate strategy based on the market characteristics and demand of North China, East China, South China and western area and keep the sustainable and sound development. Further promote the high value-added products of oversized, super-thick and curved tempered glass and

products with potential market demand including insulated shutters, fire-resistant glass, bullet proof glass and three-dimensional colored glass.

- 4) Seek new growth for specialty glass business. Focus on high-tech oriented differentiation special glass, well complete the construction of borosilicate fire-resistant glass project to seek for new business growth. Keep eyes on the scope of electrochromic glass, high aluminum glass, conduct forward-looking technical research to improve the Company's core competitiveness.
- 5) Strengthen technical R&D, advances the establishment of national-level laboratory, upgrade the technological level, develop new products, high-tech products and special products continuously, positively implement differentiation strategy, advance sustainable development to resist risks.
- 6) Advance the construction of new projects and technical upgrade. Coordinates each construction in process to ensure the projects will be completed as planned; increase JSYPE capacity based on the economic upgrade of Guangdong-Hong Kong-Macao Greater Bay Area. Meantime, carry out technical reformation, quality improvement, automation and intellectualized renovation to enhance efficiency.
- 7) Strengthens finance comprehensive management. Improve receivables management, develop financing channels actively to meet the demand of production, operation and project construction and improves the idle capital efficiency based on capital security.

(4) Potential Risk

Applicable N/A

1) Economic environment changes domestically and overseas

The fluctuation environment of global trade and the trade friction among economic entities bring more uncertainty to the Company for overseas market development. Under the environment of domestic macro-economy and industrial policy, and affected by the development of real estate and automobile industry, there is uncertainty for future glass demand.

Solutions: Oriented by the national planning of industrial development, increase R&D investment, develop new products and new market to ensure the sustainable development of the Company. Improve the sensitivity and foresight to the market, understand the changes of the industry and adjust operation strategy timely; reinforce strategic cooperation with famous manufacturers domestically and overseas by taking advantage of SYP brand and domestic and overseas channels.

2) Risk of price uncertainty of raw materials and fuel

The price of raw materials including gas, heavy oil, soda ash and silica sand of float glass and raw glass and auxiliary materials of architecture processing glass and automotive glazing is not stable which bring the difficulty in cost control. If the price keep rising in 2020, it will have negative effect on the Company's operation, reduce comprehensive gross margin of main business and then lead to the drop of operating profit.

Solutions: control and manage the cost by the methods of supervising and analyzing the change of raw material and fuel price and implementing budget management; improve material utilization through innovation of technology and management; reduce cost and increase benefits by enhancing technological level and improving procurement strategy, strength cost control and minimize the risk due to raw material price uncertainty.

3) Fierce market competition

Building glass industry confronts with the problem of over-capacity, imbalance between supply and demand and the fierce competition.

Solutions: Insist on differentiation strategy, adjust product mix, improve value-added

products; strengthen technical innovation and R&D, optimize process, enhance production efficiency; reinforce cost control and lean management; consolidate sales management, analyze the market segment, accelerate new product R&D, focus on customer service and relationship and expand overseas market.

4) Risk of Customer Credit

There is still global economy uncertainty, domestic economy growth slows down, and competition is fierce in processing glass market, so the Company has challenge in customer credit.

Solutions: Further discuss the Company's credit policy to improve the procedure. Strengthen customer credit review, refine credit control program, supervise and follow the payment to lower the risk of loan recovery.

5) Risk of the public health emergency

The sudden breakout of COVID-19 in the beginning of 2020 delayed the production recovery of the sites and the enterprises of the upstream and downstream industry chain and affects the production and sales in the short term. It may affect the Company's ordinary operation if the global epidemic continues.

Solutions: Reinforce internal management, enhance efficiency, pay attention to market changes, reduce expenditure to prevent the risks caused by the epidemic.

(5) Others

Applicable N/A

4. Whether there was any situation or special reason that the company could not complete information disclosure that was N/A to the regulation or was related to government or commercial secret.

Applicable N/A

V. Important Event

1. Profit distribution plan of ordinary shares and plan of capital surplus enlarging shares

(1) Stipulation, implementation and adjustment of cash dividend allocation policy

Applicable N/A

1) The Company revised the article concerning profit distribution in the *Articles of Association* in accordance with *No.3 Guideline for the Supervision of Listed Companies - Cash Dividend Distribution of Listed Companies* issued by CSRC and the Company's actual situation, it was approved at the 16th Meeting of the 7th Board and the AGM for 2013. The existing profit distribution policy states that the Company can distribute profit in forms of cash dividend, stock dividend, combination of cash and stock dividend and other legal forms; the Company gave priority to cash dividend allocation and stipulated the regulation for allocation method (standard and proportion), implementation and decision-making procedure. (Please refer to the *Articles of Association* of the Company.)

2) Since the Company went public, it insisted on cash dividend allocation, kept the continuity and stability of the profit distribution, took account of the Company's long-term development and all shareholders' interests, paid attention to investor returns and the reasonable returns to the public shareholders, allocated profit to shareholders according to relevant laws and regulations and the profit distribution provisions in the *Articles of Association* of the Company. In the reporting period, the cash dividend allocation complied with the provisions of the *Articles of Association* and the resolutions of the shareholders' general meeting, the relevant decision-making procedures were legitimate, independent directors issued opinions prudentially and the minority shareholders were counted independently in voting for the

profit distribution plan.

3) Profit distribution for 2018: the profit distribution plan was approved by the Shareholders' General Meeting for 2018 held on 16 May 2019. Based on the total share capital of 934,916,069, the Company allocated cash dividend of RMB 0.30 (tax inclusive) for every 10 shares to all shareholders, and the total cash dividend was RMB 28,047,482.07. The profit distribution has been completed by 15 Jul 2019. (Please refer to *Public Announcement on Shanghai Yaohua Pilkington Glass Group Co., Ltd. Dividend Appropriation for 2018* for details, which was published in Shanghai Securities News, Hong Kong Tai Kung Pao and on SSE website on 21 Jun 2019.)

4) In accordance with the relevant regulations of Guidance of Cash Dividend Allocation of Listed Companies issued by SSE as well as the Articles of Association of the Company, and considering the actual situation of the Company, the profit for 2019 to be distributed is planned as below:

The profit distribution will take place based on the total equity on the share record date of the dividend appropriation (the date will be clarified in the public announcement on dividend appropriation) to allocate cash dividend of RMB 0.67 (tax inclusive) for every 10 shares, it is proposed to allocate total cash dividend of RMB 62,639,376.62 based on the total share capital of 934,916,069 shares by 31 December 2019, If the total equity changes before the share record date, the Company will maintain the total amount of profit distribution but change the dividend allocation amount per share and the Company will publish additional announcement for details. The Company has no intention of issuing bonus shares or converting capital reserve to share capital.

The plan will be carried out upon the approval of the Annual Shareholders' General Meeting for 2019.

(2) Plan of profit distribution and capital reserve in the latest three years (including the reporting period)

Unit: RMB

Year	Bonus for every 10 shares (share)	Dividend for every 10 shares (tax inclusive)	Capital reserve for every 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the parent companies in consolidated statement	The ratio to Net profit attributable to shareholders of the parent companies in consolidated statement (%)
2019	0	0.67	0	62,639,376.62	208,497,447.62	30.04
2018	0	0.30	0	28,047,482.07	90,681,852.23	30.93
2017	0	0.16	0	14,958,657.10	47,947,535.21	31.20

(3) Repurchase stock by cash for cash dividend allocation

Applicable N/A

(4) Reason for not allocating cash dividend when the parent company gained profit in the reporting period and was capable for profit distribution for ordinary shares, and plan for the undistributed profit.

Applicable N/A

2. Commitment Fulfillment

(1) Commitments made by the listed companies, shareholders, actual controller, buyer, directors, supervisors, the Management or other related parties in or cross the reporting period.

√ Applicable □ N/A

Background	Type	Promiser	Content	Commitment time and Deadline	Whether has deadline for fulfillment	Whether meet the commitment timely and strictly
Commitment made in acquisition report or equity change report	Share trading lock-up	SBM	After the 1 st share holdings increase, SMB will not transfer the increased shares and the shares held before the share holdings increase in 12 months. If SBM or the consortium offer plans to pledge the relevant shares in 12 months, or there is equity change in accordance with laws and regulations, SBM and the consortium offer should complete information disclosure timely.	Within 12 months since the date when SBM increased the shareholdings (13 Dec 2018)	Yes	Yes
	Resolution of Horizontal Competition	SBM	SBM and the consortium offer Hong Kong Haijian issued commitment on avoiding competition with the listed company and its controlled subsidiaries as below: 1. The promisee does not engage in any activity direct or indirectly that involves horizontal competition with the listed company and the controlled subsidiaries. 2. As the controlling shareholders of the listed company, the promisee will not engage in any activity direct or indirectly that involves horizontal competition with the listed company and its controlled subsidiaries, and will be responsible for the direct economic loss of the listed company if violate the commitment. 3. For the directly or indirectly controlled companies of the promisee, it has the same requirement to avoid horizontal competition with the listed company and has the same responsibility for the direct economic loss of the listed company if violate the commitment.		Yes	Yes
	Resolution of Connected Transaction	SBM	SBM and the consortium offer Hong Kong Haijian issued commitment on standardizing the connected transaction as below:		Yes	Yes

			As the controlling shareholders of the listed company, the promisee and its controlled subsidiaries will decrease or standardize the connected transaction with the listed company and its controlled subsidiaries; for the unavoidable or reasonable connected transaction, the promisee and its controlled companies will adopt fair and reasonable market price in the principle of openness, fairness and justice, complete decision-making procedure according to relevant laws and regulations, carry out information disclosure and application and approval procedure to ensure the rights and interests of the listed company and the shareholders.			
	Others	SBM	SBM and the consortium offer Hong Kong Haijian issued commitment on protecting the independent operation of the listed company as below: 1. Protect the independent and complete assets of the listed company 2. Protect the employee independence of the listed company 3. Protect the finance independence of the listed company 4. Protect the organization independence of the listed company 5. Protect the business independence of the listed company		Yes	Yes

(2) Statement of whether assets or project achieve the predicted profit if company has profit prediction and the reporting period was in the profit forecast term.

Achieved Not achieved N/A

(3) Commitment fulfillment and influence on goodwill impairment test

Applicable N/A

3. Capital occupancy and repay debt in the reporting period

Applicable N/A

4. Company's explanations of modified audit report issued by accounting firm

Applicable N/A

5. Company's analysis of change of accounting policy and accounting estimate as well as major accounting error correction

(1) Company's explanation of change of accounting policy and accounting estimates

Applicable N/A

Please refer to Note 5.44 Changes of Major Accounting Policy and Estimate

(2) Company's explanation of major accounting error correction

Applicable N/A

(3) Communication with former accounting firm

Applicable N/A

(4) Other statement

Applicable N/A

6. Employment or Dismissal of accounting firm

Unit: Ten thousand RMB

	Current	
Name of domestic public accountant	Zhonghua Certified Public Accountants LLP	
Payment for domestic public accountant	124	
Audit period	8 years	
	Name	Payment
Name of accounting firm for internal control audit	Zhonghua Certified Public Accountants LLP	46
Financial Consultant	-	
Sponsor	-	

Statement of employing or dismissing accounting firm

Applicable N/A

Statement of changing accounting firm during audit

Applicable N/A

7. Situation of suspension of listing

(1) Reason for suspension of listing

Applicable N/A

(2) Solution

Applicable N/A

8. Reason for termination of listing

Applicable N/A

9. Bankruptcy and reorganization

Applicable N/A

10. Major lawsuit and arbitration

Applicable ✓ N/A

11. Punishment and reformation of the listed company, directors, supervisors, the Management, controlling shareholders, actual controller and acquiring firm.

Applicable ✓ N/A

12. Credit status of the listed company, controlling shareholders and actual controller

✓ Applicable N/A

In the reporting period, the Company and its controlling shareholder and actual controller didn't fail to keep promise, execute the court judgement in effect and repay the large amount of matured liabilities.

13. Stock incentive plan, ESOP or other employee motivation plan and its influence

(1) Motivation plan has been announced publicly and there was no follow-up progress or change

Applicable ✓ N/A

(2) Motivation plan has not been announced publicly or there was follow-up progress
Stock incentive plan

Applicable ✓ N/A

Other statement

Applicable ✓ N/A

ESOP

Applicable ✓ N/A

Other motivation plan

Applicable ✓ N/A

14. Related Party Transactions of Material Importance

(1) Related Party Transactions concerned with Daily Operations

1) Connected transaction that has been announced publicly and there was no follow-up progress or change

Applicable ✓ N/A

2) Connected transactions that have been announced publicly with follow-up progress or change

✓ Applicable N/A

Unit: Ten thousand RMB

Related Party	Transaction Type	Transaction Content	Pricing method	2019	2019
				Predicted Amount	Actual Amount

Pilkington	Purchase	Royalties	Agreement price	1000	534.03
Pilkington	Purchase	Equipment purchasing fee	Agreement price	100	/
Pilkington	Capital	Interest of borrowings	Market price	350	/
Pilkington	Sale	Sell glass	Market price	5000	1917.47
Pilkington	Sale	Sell glass	Market price	4000	1895.02
Bright Intelligent Curtain Wall Co., Ltd. and its subsidiary	Lease	Workshop	Market price	10	8.29

3) Connected transactions that were not disclosed in public announcement

Applicable N/A

(2) Connected transaction due to assets or equity acquisition or sell

1) Publicly announced issues without further progress or change

Applicable N/A

Overview	Index of the query
The Company's acquisition of JSYP 50% equity and TSYP 9.021 equity held by Pilkington Italy Unlimited	Shanghai Yaohua Pilkington Glass Group Co., Ltd. Public Announcement on Connected Transaction Regarding the Acquisition of Equity Interests in Subsidiaries published on SSE website and in Shanghai Securities and Hong Kong Tai Kung Pao on 14 Dec 2019.

2) Publicly announced issues with further progress or change

Applicable N/A

3) Issues that did not disclosed in public announcement

Applicable N/A

4) Business performance in the reporting period that should be disclosed if involves business performance agreement

Applicable N/A

(3) Significant connected transaction with joint investment

1) Publicly announced issues without further progress or change

Applicable N/A

Overview	Index of the query
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<p>Both the Company and SBM increase RMB 49.5 million, shareholding ratio of Pilkington Group will increase from 8% to 20% (the increased capital amounts to RMB 202,047,050.09 and RMB 26,344,553.47 equivalent US Dollars according to the evaluation).</p>	<p>Shanghai Yaohua Pilkington Glass Group Co., Ltd. Public Announcement on Connected Transaction Regarding Capital Increase in the Controlled Subsidiary SYP Kangqiao Autoglass Co., Ltd. published on SSE website and in Shanghai Securities and Hong Kong Tai Kung Pao on 14 Dec 2019 as well as Public Announcement on the Resolutions of the 1st Extraordinary General Meeting of 2019 published on 31 Dec 2019.</p>
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2) Publicly announced issues with further progress or change

Applicable N/A

3) Issues that did not disclosed in public announcement

Applicable N/A

(4) Related Parties' Creditor Rights and Debt Obligations

1) Publicly announced issues without further progress or change

Applicable N/A

2) Publicly announced issues with further progress or change

Applicable N/A

3) Issues that did not disclosed in public announcement

Applicable N/A

Unit: Ten thousand RMB

Related parties	Relationship	Fund Provided to Related Parties			Funds Received from Related Parties		
		Beginning Balance	Actual Amount	Ending Balance	Beginning Balance	Actual Amount	Ending Balance
Beijing Pennvasia Glass Co., Ltd.	Affiliate	1,208.91		1,208.91			
Luanzhou City Xiaochuan Glass Silica Sand Co., Ltd.	Affiliate	1,672.04		1,672.04			
Pilkington and its connected parties	Shareholder	169.94	-150.76	19.18	19,298.77	522.79	19,821.56
SBM	Controlling Shareholders				385.45	4,564.55	4,950.00
Bright Intelligent	SBM controlled subsidiary	123.89	-23.99	99.90	0.79	-0.79	0.00

Curtain Wall Co., Ltd.							
In Total		3,174.78	-174.75	3,000.03	19,685.01	5,086.55	24,771.56
Reason	Raw material purchase and products sales with affiliates; royalties, product sales, equipment purchase and borrowing with the shareholder; products sales and plant rental with SBM's controlled subsidiary.						

(5) Others

Applicable N/A

The Company Convened the 6th Meeting of the 9th Board of Directors on 29 Jan 2019 and approved the Proposal on SBM Investment on CSYP for Aerospace Glass Project, The Company's controlling shareholder SBM increased capital of RMB 27 million for R&D and production of aerospace raw glass.

The capital increase has been completed by the end of the reporting period.

15. Important Contracts and the Fulfillment

(1) Issues of trusteeship, subcontract and leasing

1) Trusteeship

Applicable N/A

2) Subcontract

Applicable N/A

3) Leasing

Applicable N/A

(2) Guarantees

Applicable N/A

Unit: ten thousand RMB

Outward Guarantee (excluding guarantees for subsidiaries)	
Guarantee for subsidiaries	
Total guarantee amount in reporting period	-2,229.00
Ending balance of the guarantee amount (B)	8,034.00
Aggregated Guarantee Amount (controlled subsidiaries included)	
Total amount (A+B)	8,034.00
Ratio to the Company's net assets (%)	2.44
Including:	
Guarantee amount for shareholders, actual controllers and related parties (C)	-
Guarantee amount for the parties whose assets and liabilities rate more than 70% (D)	-
Guarantee amount which exceed 50% of net assets (E)	-
Total amount of the above three items (C+D+E)	-

Statement of joint and several liability for outstanding guarantee	
Guarantee Statement	

(3) Entrusted cash assets management

1) Entrusted financing

a. Overall situation

Applicable N/A

Other situations

Applicable N/A

b. Entrusted loan

Applicable N/A

Other situations

Applicable N/A

c. Impairment provision of entrusted financing

Applicable N/A

2) Loan by mandate

a. Overall situation

Applicable N/A

Other situations

Applicable N/A

b. Individual situation

Applicable N/A

Other situations

Applicable N/A

c. Impairment provision of loan by mandate

Applicable N/A

3) Other statements

Applicable N/A

(4) Other contract of material importance

Applicable N/A

16. Other Important Events

Applicable N/A

17. Fulfillment of social responsibility

(1) Poverty alleviation work of listed company

Applicable N/A

(2) Fulfillment of social responsibility

Applicable N/A

As a corporate citizen, the Company always remembers the purpose of high-quality products, customer service, company development and social dedication, unified

economic and social benefits and fulfilled social responsibility. The Company fully respects and protects the legitimate rights of the related parties, aims at realizing harmonious development among shareholders, employee and the society and advancing the sustainable, health and stable development of the Company.

1) Return to shareholders and enhance confidence. The Company has complete governance structure and standard operation. The Company established stable profit distribution policy, since it was listed on the stock market, the Company has kept returning to shareholders with cash dividends, sharing the development achievement with the shareholders, issuing information disclosure prudentially, set up special telephone line for investors, taking part in activities for investor reception, treating shareholders fairly and improving shareholders' value and investors' confidence.

2) Observed law and disciplines, operated honestly. The Company insisted on honest operation, fair dealing, taxation payment and social morality in the principle of fairness, openness and faithfulness. The total taxation payment amounted to RMB 22,284.10. The Company strengthened quality supervision by ISO to ensure product security, did not default liabilities maliciously and kept good relationship with suppliers and purchasing agent without infringing legitimate interests. The Company was awarded as Shanghai Civilization Corporation and Five Star Shanghai Integrity Enterprise. SYP brand was continuously awarded as Shanghai Famous Trademark, SYP product was continuously awarded as Shanghai Famous Brand.

3) People come first. The Company complied with Labor Law, protected rights and interests of all the employees, carried out trainings to enhance employee competitiveness, established internal communication system, organized recreational activities and arranged physical examination at regular intervals, convened worker's congress, took care of the workers at the production lines and celebrated birthday for the employees. The Company established workshop named "Shanghai Craftsman" for technician to enhance technological level and innovation, carried out "SYP Craftsman" activities, motivated innovation spirit, cultivated high-tech and high-quality talents team to better advance the scientific development of the Company.

4) Promoted public welfare and brought benefits to the society. The Company supported public welfare activities, continued donations, dedicated to social voluntary service, fulfilled social responsibility and enhanced the sound image of the Company.

5) Protected environment and save resources. The Company put ecological environment preservation and sustainable development at very important position. As the high-end glass brand, the Company has glass products characterized by high performance, energy-saving and environment-friendly, the Company always pay great attention to environment management and national laws and regulations of energy conservation and emission reduction, carried out environment protection in production and operation activities, saved water and power as well as prevented from pollution; The Company always ensured the implementation of environment protection, used safe and environment-friendly natural gas, dedicated to environment preservation investment, renovated technology, advanced cleaner production, promoted low carbon and energy-saving concept, R&D, produced and popularized green products, energy-saving products of the Company has been recognized by "Shanghai Brand".

(3) Environment information

1) Environmental protection statement for companies and their major subsidiaries in highly polluting industry specified by the state environmental protection department.

√ Applicable N/A

① Pollutants discharge information

√ Applicable N/A

The Company and its subsidiaries pay attention to the environment protection all the time, strictly implement relevant laws and regulations of the state and local governments, project constructions comply with environmental evaluation system, productions are in line with *Environmental Pollution Prevention Law, Air Pollution Prevention Law and Action Plan of Air Pollution Prevention* and Emission Standard for Air Pollution of Flat Glass Industry. Over the years, the Company focused on energy-saving and cost-reducing, relieved environmental load, implemented standardized management, completed management procedure of quality, environment and security, based on lean management, the Company enhanced productivity, reduced cost and pollution, realized pollution prevention, resource-saving and environment improvement.

Followings are the situation of highly polluting subsidiaries of the Company:

a. Float segment is comprised of controlled subsidiaries of TSYP, HSYP and JSYP.

The main pollution is waste gas and water from production lines. Waste gas includes SO₂, NO_x and PM, the discharge standard of atmospheric pollutants complies with GB 26453-2011 (atmospheric pollutants discharged by float glass industry), DB 32/3151-2016 (VOC emission from chemical industry) and GB 14554-93 (odor pollutants emission).

In 2019, the total discharge amount of waste gas: TSYP: 2.213 ton SO₂, 77.655 ton NO_x, 2.797 ton PM; HSYP: 44.24 ton SO₂, 113.34 ton NO_x, 2.33 ton PM; JSYP: 55.42 ton SO₂, 211.97 ton NO_x, 5.32 ton PM. The emission concentration: TSYP: 22.86 mg/m³ SO₂, 100.48 mg/m³ NO_x, 3.62 mg/m³ PM; HSYP: 99.56 mg/m³ SO₂, 247.96 mg/m³ NO_x, 5.55 mg/m³ PM; JSYP: 74.65 mg/m³ SO₂, 271.46 mg/m³ NO_x, 7.31 mg/m³ PM

Above discharge amount is far below the limitation level.

b. Main pollutants of SYPKA and SYPE are waste water, waste gas and solid waste. Waste water included COD and ammonia nitrogen, waste gas was PM from polishing mold and solid waste mainly was ink packaging and household waste. Above discharge amount is far below the limitation level.

② Construction and operation of pollution prevention facilities.

√ Applicable N/A

a. Production lines of float glass installed flue gas DeNO_x & desulfurization system.

In the reporting period, the system worked regularly, and each index of waste gas was below national limitation level.

b. SYPKA and SYPE disposed the waste gas by mechanical exhaust, water mist absorption and purification facilities and meet the requirement of Integrated Emission Standard of Air Pollutants. SYPKA set up exhaust funnel 15 meters high

and SYPE set up the one 12 meters high. Waste water was discharged into pipe network of municipal sewage after preprocessing. Solid waste was collected and stored by category and then disposed by the qualified third party. Environmental protection facilities worked regularly by the end of the reporting period.

③ Environmental impact evaluation for project construction and other administrative license for environmental protection.

√ Applicable N/A

The Company strictly complied with the *Environmental Impact Assessment Law of the People's Republic of China* and the *Environmental Protection Law of the People's Republic of China* and implemented system of environmental impact assessment. Project construction was all approved by local environment protection department. The projects completed the environmental approval procedure in the kickoff phase as well as environmental acceptance inspection and record filing in the acceptance phase, all projects gained environmental approval.

Each subsidiary of the Company has sewage discharge permission issued by relevant government department.

④ Pre-arranged plan for environmental emergency

√ Applicable N/A

The Company prevented and disposed the environmental emergency rapidly and effectively and completed relevant system of early warning, disposal and remedial work. Each subsidiary stipulated pre-arranged plan for environmental emergency and reported to local environmental protection department for record; enhanced the capability of disposing environmental emergency, farthest prevented and reduced pollution accident and the related loss, ensued the public security, social stability and advanced the overall, harmonious and sustainable development of the economic society.

⑤ Environmental self-monitoring program

√ Applicable N/A

- a. TSYF entrusted third party Tianjin Zhonglian Environmental Monitoring Service Ltd. for periodical monitor
- b. HSYF and JSYP entrusted third party Jiangsu Ence Testing Technology Co., Ltd. for periodical monitor.
- c. SYPKA entrusted third party Shanghai Huihuan Environmental Test Laboratory to monitor the water, gas, noise and residue periodically, established ISO140014 environmental management system to inspect the daily environmental management.
- d. SYPE stipulated self-monitoring plan according to relevant guidance, and entrusted qualified third party Shanghai Building Materials Industry Environmental Test Station for periodic monitor in accordance with national technical specification and management regulation of environmental monitor. SYPE has applied to connected its online automatic monitoring facilities, so the monitoring data will be uploaded and published in public platform for pollution source monitor. The Company has been recognized by environment management system certification of ISO14001:2015.

⑥ Other environmental information that should be published

√ Applicable N/A

According to the requirement for enterprises having sewage discharge permission, above mentioned subsidiaries have completed environmental information disclosure.

2) Environmental protection statement for companies besides the subsidiaries in highly polluting industry

Applicable N/A

The Company and its subsidiaries paid attention to environmental protection, advanced cleaner production, improved processing, reduced resources and energy consumption; accepted supervision of environmental protection department, set up online monitoring facilities and connected to network for supervision; used recycle industrial wastewater after sediment, the disposal of waste water and solid waste in production complied with relevant laws and regulations.

In the reporting period, the Company and its subsidiaries had no environmental pollution accident and received no relevant administrative penalty.

1) Reason why the companies besides the subsidiaries in highly polluting industry do not complete environmental information disclosure.

Applicable N/A

4) The follow-up and change of the environmental information disclosed in reporting period.

Applicable N/A

(4) Other statements

Applicable N/A

18. Convertible bonds

Applicable N/A

VI. Ordinary share change and shareholders status

1. Ordinary share change

(1) Sheet of ordinary share change

1) Sheet of ordinary share change

In the reporting period, there was no change of total number of ordinary shares and stock structure.

2) Statement of ordinary share change

Applicable N/A

3) Influence on earnings per share and net assets per share of the latest year or term due to ordinary share change

Applicable N/A

4) Other information disclosure considered to be necessary by company or requested by securities supervisory authority

Applicable N/A

(2) Change of restricted shares

Applicable N/A

2. Stock Issue and Listing

(1) Stock issuance by 31 Dec 2019

Applicable N/A

Statement of stock issuance by 31 Dec 2019 (please state individually for bond with different interests in the duration)

Applicable N/A

(2) Changes in aggregated shares and restructure of shareholders, assets and liability of the Company

Applicable N/A

(3) The existing employee stock

Applicable N/A

3. Shareholders and Actual Controllers

(1) Shareholders amount

Total number of shareholders in reporting period	52,346
Number of shareholders by 30 Nov 2019	48,384
Number of preferred shareholders whose voting rights were restored by 31 Dec 2019	-
Number of preferred shareholders whose voting rights were restored by 30 Nov 2019	-

(2) Shareholding of the top ten shareholders and the top ten circulation shareholders (or unrestricted shareholders)

Unit: share

Top Ten Shareholders							Nature
Name of shareholders	Change Amount	Ending Balance	Proportion (%)	Amount of restricted shares	Amount of shares pledged or blocked		
					Stock Status	Amount	
SBM	10,158,265	288,267,985	30.83	0	No	-	State-owned legal person
Pilkington	0	124,008,584	13.26	0	No	-	Foreign legal person
China Composites Group Co., Ltd.	0	119,090,496	12.74	0	No	-	State-owned legal person
UBS AG	4,625,078	4,625,078	0.49	0	Unknown	-	Foreign legal person
Li Lizheng	38,012	4,182,902	0.45	0	Unknown	-	Overseas natural person

Hong Kong Haijian	0	3,601,071	0.39	0	No	-	Foreign legal person
TOYO SECURITIES ASIA LTD. A/C CLIENT	-50,075	2,190,175	0.23	0	Unknown	-	Foreign legal person
WANG SHANG KEE &/OR CHIN WAN LAN	0	2,171,320	0.23	0	Unknown	-	Overseas natural person
Du Lifeng	0	2,107,910	0.23	0	Unknown	-	Foreign legal person
NAITO SECURITIES CO., LTD.	76,650	1,986,287	0.21	0	Unknown	-	Foreign legal person
Top ten unrestricted shareholders							
Name	Amount of unrestricted shares	Stock Type and Amount					
		Type	Amount				
SBM	288,267,985	RMB Ordinary Shares	288,267,985				
Pilkington	124,008,584	Domestic listed foreign funded shares	23,961,912				
		RMB Ordinary Shares	100,046,672				
China Composites Group Co., Ltd.	119,090,496	RMB Ordinary Shares	119,090,496				
UBS AG	4,625,078	RMB Ordinary Shares	4,625,078				
Li Lizheng	4,182,902	Domestic listed foreign funded shares	4,182,902				
Hong Kong Haijian	3,601,071	Domestic listed foreign funded shares	3,601,071				
TOYO SECURITIES ASIA LTD. A/C CLIENT	2,190,175	Domestic listed foreign funded shares	2,190,175				
WANG SHANG KEE &/OR CHIN WAN LAN	2,171,320	Domestic listed foreign funded shares	2,171,320				
Du Lifeng	2,107,910	Domestic listed foreign funded shares	2,107,910				
NAITO SECURITIES CO., LTD.	1,986,287	Domestic listed foreign funded shares	1,986,287				

Notes on related party relationship and parties acting in unison	Among the top ten shareholders of the Company, there is related party relationship between the 1 st and 6 th largest shareholder, and they do not have related party relationship with other shareholders, they also shall not be regarded as parties acting in unison as provided in <i>Regulations on the Takeover of Listed Companies</i> . There is no related party relationship between the 2 nd and 3 rd largest shareholder, and they do not have related party relationship with other shareholders, they also shall not be regarded as parties acting in unison as provided in <i>Regulations on the Takeover of Listed Companies</i> . Besides, the Company does not know whether there is related party relationship between other shareholders or whether other shareholders are parties acting in unison as provided in the <i>Regulations on the Takeover of Listed Companies</i> .
Notes on preferred shareholders with restored voting rights	-

Top ten restricted shareholders

Applicable N/A

Unit: shares

(3) Strategic investors or normal legal person that became top ten shareholders after been placed by new shares

Applicable N/A

4. Controlling shareholder and actual controller

(1) Controlling shareholder

1) Legal person

Applicable N/A

Name	Shanghai Building Materials (Group) Co., Ltd.
Legal Representative	Zhao Jian
Date of Establishment	29 December 1993
Business Scope	Investment holdings, diversified economy, building materials, design and manufacture and sale of building materials equipment and related products, engaged in architectural engineering and technology development and transfer business, building decoration engineering contracting and design and construction, real estate development and management.
Other domestic and overseas listed companies controlled or held equity by SBM	--
Other Statement	--

2) Natural person

Applicable N/A

3) The company has no specific explanation for controlling shareholder

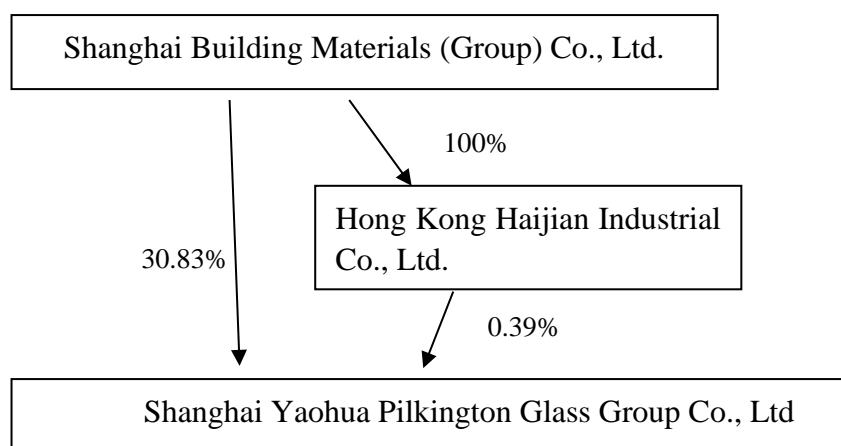
Applicable N/A

4) Query indexes and date regarding change of controlling shareholder

Applicable N/A

5) Property right and control relationship between the Company and controlling shareholder

Applicable N/A



(2) Actual Controller

1) Legal Person

Applicable N/A

Name	Shanghai Land (Group) Co., Ltd.
Legal Representative	Feng Jingming
Date of Establishment	15 Nov 2002
Business Scope	Land reserve preliminary development, mudflat construction and management, municipal infrastructure construction and investment, old residential district reconstruction, low-rental housing, government-subsidized affordable housing, investment and construction of ancillary commercial housing, real estate development and operation, industrial investment and property management.
Other domestic and overseas listed companies controlled or held equity by Guosheng	It aggregately holds 68.44% equity of China Enterprise (600675) and 25.82% equity of Green Land (600606)
Other Statement	No.

2) Natural person

Applicable N/A

3) The company has no specific explanation for actual controller

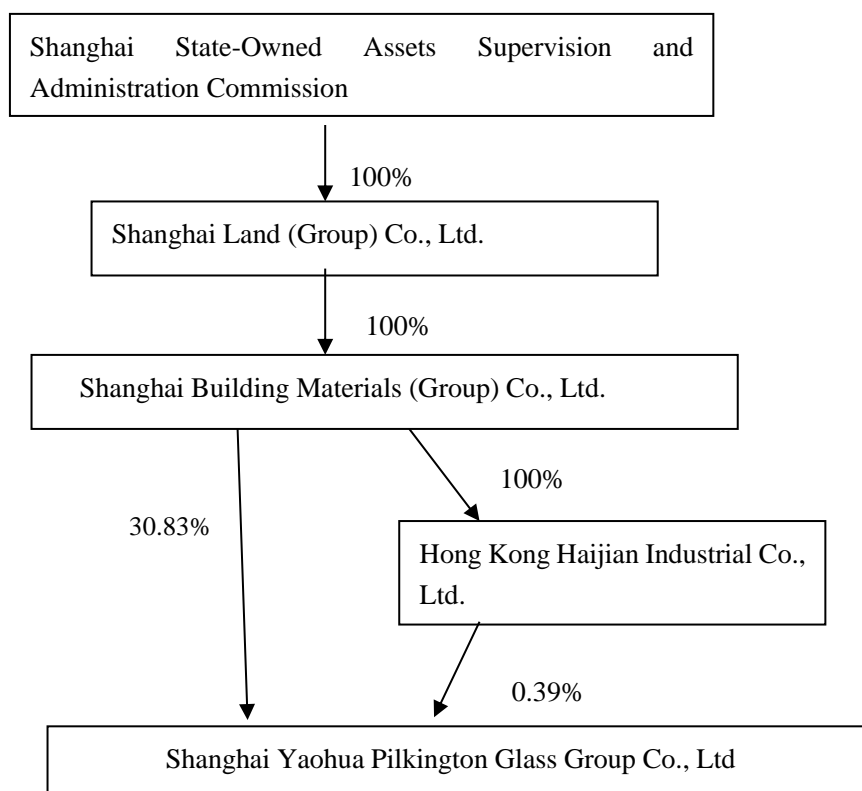
Applicable N/A

4) Query indexes and date regarding change of controlling shareholder

Applicable N/A

5) Property right and control relationship between the Company and actual controller

Applicable N/A



6) Whether actual controller control the company through trust or other assets management method

Applicable N/A

(3) Other information about controlling shareholder and actual controller

Applicable N/A

5. Other legal person shareholders who hold more than 10% of the Company's shares

Applicable N/A

Name of shareholders	Legal representative	Date of Establishment	Corporate code	Registered capital	Major business scope
Pilkington	Lain Lough	20 Jan 1981	--	EUR 18,815	Shares, financing and management of other companies, groups and businesses involved in financial transactions, acquisition, control, and dispose of movable and

							end		RMB) (before tax)	
Zhao Jian	Chairman	Male	48	26 Jul 2018	25 Jul 2021	0	0	0	0	Yes
Paul Ravenscroft	Vice Chairman	Male	49	26 Jul 2018	25 Jul 2021	0	0	0	0	Yes
Eddie Chai	Director & President	Male	61	26 Jul 2018	25 Jul 2021	0	0	0	348.8	No
Liu Peng	Director	Male	44	26 Jul 2018	25 Jul 2021	0	0	0	0	Yes
Feng Guiyun	Independent Director	Female	55	26 Jul 2018	25 Jul 2021	0	0	0	0	Yes
Liu Jinwei	Independent Director	Male	51	26 Jul 2018	25 Jul 2021	0	0	0	8.875	No
Li Peng	Independent Director	Male	56	26 Jul 2018	25 Jul 2021	0	0	0	8.875	No
Ma Yiping	Independent Director	Male	48	26 Jul 2018	25 Jul 2021	0	0	0	8.875	No
Chen Zonglai	Supervisory Committee Chairman	Male	52	16 May 2019	25 Jul 2021	0	0	0	0	Yes
Xu Hong	Supervisor	Male	59	26 Jul 2018	25 Jul 2021	0	0	0	23.9	No
Zou Zhiping	Supervisor	Male	45	26 Jul 2018	25 Jul 2021	0	0	0	32.0	No
Sha Haixiang	Vice President	Male	46	26 Jul 2018	25 Jul 2021	0	0	0	235.1	No
Liu Mingqing	Vice President	Male	56	26 Jul 2018	25 Jul 2021	0	0	0	211.8	No
Lu Minghong	Vice President and	Female	48	26 Jul 2018	25 Jul 2021	0	0	0	85.4	No

	Secretary of the Board									
Gao Fei	Finance Director	Male	43	26 Jul 2018	25 Jul 2021	0	0	0	108.1	No
Qing Yong	Supervisory Committee Chairman	Male	47	26 Jul 2018	16 May 2019	0	0	0	0	No
Total	/	/	/	/	/	0	0	0	1,071.725	/

Name	Main Working Experiences
Zhao Jian	Postgraduate Degree, Master, Senior Economist, the Party Secretary and President of Shanghai Building Materials (Group) Co., Ltd., and Chairman of SYP Board; Previously Chief of Investment & Development Dept. of Shanghai Urban Construction (Group) Corporation, Deputy Party Secretary and President of Shanghai Guosheng Assets Co., Ltd.
Paul Ravenscroft	Head of Mergers & Acquisitions of NSG Group, Vice Chairman of SYP Board; previously solicitor of law firm Eversheds, Commercial Counsel of Huntsman Tioxide, General Counsel of Pilkington plc and President of the NSG Group Building Products business in China.
Eddie Chai	Postgraduate Degree, Master, SYP President and Director; Previously Management Consultant of McKinsey & Company Hong Kong, Vice President of Lafarge Group to in charge of strategic development, Senior VP of Lafarge China, President of Lafarge North China, Initiator and President of China Investment Consulting Firm, General Representative of NSG/Pilkington in China.
Liu Peng	Postgraduate Degree, Doctor, Vice President of Shanghai Building Materials (Group) Co., Ltd., SYP Director; Previously Project Manager of Investment Bank HQ (Shanghai) of Southern Securities, Supervisor of Plan and Development Dept. of Shenhua Group Co., Ltd. Vice-General Manager and Board Secretary of Shanghai Shyndec Pharmaceutical Co., Ltd.; Vice-General Manager of Lengguang Industrial Co., Ltd.; Head of Assets Management Dept. of Shanghai Building Materials (Group) Co., Ltd.
Feng Guiyun	Bachelor Degree, Master, Senior Accountant, Finance Director of China Composites Group Co., Ltd., SYP Director; Previously Accountant of the State Building Material Bureau Service Center, Chief Accountant of China Inorganic Nonmetallic Materials Science Industrial Group; Accountant of China Inorganic Material Science Industrial Group, Vice Manager and Manager of Finance Dept. of China Composites Group Co., Ltd.
Liu Jinwei	Bachelor Degree, Master, major in accounting and Finance, Senior Member of Chinese Institute of Certified Public Accountants, Senior Partner of Shing Wing Accounting Firm and Independent Director of SYP. He used to work in Loan Office of Forestry Fund Management Department, previously accounting teacher of Beijing Forestry University Economic Management Academy, Vice President of Beijing Jincheng Landscape Corporation, Partner of Yuehua Certified Public Accountants Co.,

	Ltd. He currently is the Independent Director of Guizhou Longmaster and StarNeto.
Li Peng	Bachelor Degree, President of FY Financial (Shenzhen) Co., Ltd.; Chairman of the Board of Directors of Shenzhen FY Financial Holding Assets Management Co., Ltd.; Chairman of the Board of Directors of Shenzhen Shanhuitong Internet Financial Service Co., Ltd. Previously Partner of Beijing Tian Yuan Law Firm and Tian Yuan Law Firm Shanghai Branch, Vice President and CEO of China Zhongkezhhi Guaranty Group Co., Ltd.; Director of Lihe Group Co., Ltd.
Ma Yiping	Postgraduate Degree, Master, Partner and General Manager of Shanghai Qianzhan Investment Management Co., Ltd. Previously Overseas Sales of COFCO Import and Export Co., Ltd.; Project Manager, Senior Manager, Shanghai Branch Vice-General Manager and Co-director of Southern Securities; Shanghai General Manager of Investment Banking of China Investment Securities; Assistant President and Managing Director of Essence Securities; meantime, in Essence Securities, he also worked as General Manager of Shanghai Investment Banking Unit 1, General Manager of Investment Banking General Unit and General Manager of Shanghai Branch.
Chen Zonglai	University degree, Master and Senior Engineer. He is currently the Chairman of Supervisory Committee and Party Secretary of SYP, Deputy Party Secretary and Chief of Discipline Inspection Commission of SBM; Previously the Secretary of CPC Branch and General Manager of Shanghai Yaohua Dazhong Advanced Materials Co., Ltd., the Deputy GM of Shanghai Advanced Building Materials Corporation and the Administrative Director, Chief of President's Office and Director of Complaint Letter and Request Handling Office of SBM.
Xu Hong	College degree, Process Manager of Information Management Dept. of SYP. He used to be the Comprehensive Planner, Assistant Manager, Manager of Planning Section and Chief of Audit Section in the Company.
Zou Zhiping	University degree. He is currently the Deputy Director of Risk Control Department of SYP. Previously the Financial Executive in Jiangsu Huatai Machinery Manufacturing Co., Ltd., PM in Shanghai Branch of Wan Long Accounting Firm and Audit Executive in Giordano Group.
Sha Haixiang	Postgraduate Degree, Master, Vice-General Manager of the Company and is the person in charge of automotive glazing segment, processing glass segment, technology R&D center, overseas sales, key accounts of real estate and doors and windows business. Previously Assistant President of the Company, General Manager of SYPE, TSYPE and JSYPE.
Liu Mingqing	Bachelor Degree, Engineer, Vice-General Manager of the Company and in charge of float glass segment, General Manager of Changshu Site. Previously Assistant President of the Company, Manager of Electronics Department, Manager of Engineering Dept. and Manager of Project Dept. of GSYP and General Manager of TSYP.
Lu Minghong	Bachelor Degree, Master, Vice President and Board Secretary of the Company, she is in charge of Marketing Department, involved in external relations coordination and new projects negotiation. Ms. Lu used to work in NSG Pilkington China Co., Ltd. as Country Manager and HR Director and work in OUTOKUMPU China Co., Ltd as ASPC VP. She owns qualification certificate as secretary of the board issued by SSE.
Gao Fei	Bachelor Degree, Master, Certificate Public Accountant, Finance Director of the

	Company, previously Senior Finance Manager of Shanghai Shengrong Investment Co., Ltd. Vice-General Manager and General Manager of Finance Department of Shanghai Guosheng Capital Co., Ltd.
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Other situation statement

Applicable N/A

Mr. Qing Yong resigned from Chairman of Supervisory Committee for job changes. Approved at the Shareholders' General Meeting for 2018 and the 9th Meeting of the 9th Supervisory Committee, Mr. Chen Zonglai was elected as the Chairman of the 9th Supervisory Committee.

(2) Stock incentive for the directors, supervisors and the Management in the reporting period

Applicable N/A

2. Positions

(1) Positions in shareholding companies

Applicable N/A

Name	Name of shareholding company	Position	Beginning of tenure	End of tenure
Zhao Jian	SBM	Party Secretary and President	Dec 2015	
Liu Peng	SBM	Vice President	Apr 2017	
		Members of the Party Committee	May 2018	
	Hong Kong Haijian	Executive Director, Legal Representative	Feb 2016	
		General Manager	Apr 2016	
Paul Ravenscroft	Nippon Sheet Glass Co., Ltd.	Head of Mergers & Acquisitions Department of NSG Group	May 2008	
Feng Guiyun	China Composites Group Co., Ltd.	Finance Director	Oct 2004	
Chen Zonglai	SBM	Deputy Party Secretary and Chief of Discipline Inspection Commission	Jun 2019	

(2) Positions in other companies

Applicable N/A

Name	Name of other company	Position	Beginning of tenure	End of tenure
Liu Peng	Shanghai Building Materials Industry Investment Development Co., Ltd.	Executive Director, Legal Representative	Jun 2016	
		General Manager	Feb 2018	
	SBM Real Estate Operation Branch	General Manager	Feb 2018	
	Shanghai White Butterfly Pipe Technology Co., Ltd.	Chairman of the Board, Legal Representative	Aug 2018	
	Jian Zhao Investment Management (Nanjing) Co., Ltd.	Chairman of the Board, Legal Representative	Oct 2019	
Feng Guiyun	Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd.	Chairman of the Supervisory Committee	Nov 2016	
	Changzhou Zhongfu Liberty Composites Co., Ltd.	Director	Jul 2005	
	Beixin Resilient Floor Co., Ltd	Chairman of the Supervisory Committee	Nov 2017	
	Weihai Zhongfu Xigang Ship Co.,Ltd.	Director	Jan 2012	
	Zhongfu Shenying Carbon Fiber Co., Ltd.	Director	Dec 2014	
	Suzhou Huadong Coating Glass Co., Ltd.	Supervisor	Aug 2005	
Liu Jinwei	Shing Wing Accounting Firm	Senior Partner	Dec 2006	
	Longmaster	Independent Director	Feb 2017	
	StarNeto	Independent Director	Aug 2018	
Li Peng	FY Financial (Shenzhen) Co., Ltd.	President	Dec 2012	
	Shenzhen FY Financial Holding Assets Management Co., Ltd.	Chairman of the Board of	Jun 2013	

		Directors		
	Shenzhen Shanhuitong Internet Financial Service Co., Ltd.	Chairman of the Board of Directors	Jul 2014	
Ma Yiping	Shanghai Qianzhan Investment Management Co., Ltd.	Partner and General Manager	Oct 2016	
	Shanghai Qianzhan Pharmaceutical Science and Technology Co., Ltd.	Legal Representative	Sep 2018	
	Bright Intelligent Curtain Wall Co., Ltd.	Director	Jun 2016	
Chen Zonglai	Bright Intelligent Curtain Wall Co., Ltd.	Chairman of the Supervisory Committee	Mar 2017	
Lu Minghong	Bright Intelligent Curtain Wall Co., Ltd.	Director	Jun 2016	

3. Payment of directors, supervisors and senior officers

Decision Making Procedures for the remuneration of directors, supervisors and the Management	The Company established the <i>Incentive and Appraisal Management Rules for Senior Officers</i> . Remuneration and Appraisal Committee and Nomination Committee stipulate remuneration policy and approves payment plan. Remuneration and Appraisal Committee and Nomination Committee would appraise the Management and their business in charge in accordance with <i>Rules of Working Procedures</i> as well as the Company's annual financial report and annual business plan objectives.
Remuneration foundation of directors, supervisors and the Management	The compensation package was decided according to the senior officer's title, job responsibility and performance of last year. It also took reference of compensation package of the same industry and counterparts.
Remuneration Payable of directors, supervisors and the Management	The total remuneration payable of directors, supervisors and the Management by 31 Dec 2019 amounted to RMB 10.71725 million.
Remuneration received by all directors, supervisors and the Management by 31 Dec 2019	The total remuneration received by all directors, supervisors and the Management by 31 Dec 2019 amounted to RMB 10.71725 million.

4. Changes of directors, supervisors and senior officers

√ Applicable □ N/A

Name	Position	Change	Reason
Qing Yong	Chairman of the Supervisory Committee	Resigned	Mr. Qing Yong resigned from Chairman of Supervisory Committee for job changes. Approved at the Shareholders' General Meeting for 2018 and the 9 th Meeting of the 9 th Supervisory Committee, Mr. Chen Zonglai was elected as the Chairman of the 9 th Supervisory Committee.
Chen Zonglai	Chairman of the Supervisory Committee	Election	

5. Punishment from securities supervisory institution in the latest three years

Applicable N/A

6. Staff of the parent company and main subsidiaries

(1) Employee

Total number of employees of the parent company	153
Total number of employees of the main subsidiaries	2,514
In total	2,667
Number of retired employees that the parent company and main subsidiaries need to undertake the fees	5
Profession	
Professions	Number
Production staff	1,462
Sales staff	265
Technical staff	321
Financial staff	66
Administrative staff	553
In total	2,667
Education	
Education	Number
Bachelor Degree or Above	608
Junior College graduates	837
Technical Secondary School and High School	963
Below High School	259
In total	2,667

(2) Remuneration Policy

Applicable N/A

The remuneration policy is established on the purpose of improving management efficiency, strategy implementation, accelerating the realization of the Company's strategic objectives, and fully stimulating the staff's initiative by the incentive. The

compensation package is consisted of fixed remuneration and performance appraisal remuneration in order to be fair, incentive, competitive, economic and legal. Moreover, the Company makes contribution to five social insurances and one housing fund and pays social insurance charges and housing fund timely.

(3) Training Plan

Applicable N/A

The Company pays attention to the training and cultivation, it has training system with different levels to provide with elective courses and required courses; improves staffs' technology and management capacity through serving temporary positions and job teaching, which including:

- Induction training
- General and specific position technological training
- Business knowledge and management technology training for management staff
- Personalized training and leadership training for intermediate (high) level officers.
- Specific technical training for key technical staffs.

In the reporting period, the Company stipulated training plan for 2019 and implemented it strictly. The Company conducted 288 training courses and 3591 persons were present accumulatively in the whole year and the training courses involved aspects of sales, production and operation. The Company provided with variety of trainings according to requirements of different positions. The Company organized employees for internal courses of products and equipment, technological process, finance and risk control, and cultivated the talents for external training courses of management, sales and production. The training plan was carried out effectively which enhanced employees' comprehensive quality and laid the foundation for implementing the Company's strategy.

(4) Labor Outsourcing

Total working hours	2904 thousand working hours
Total remuneration amount	RMB 114.3362 million

7. Others

Applicable N/A

IX. Corporate Governance

1. Relevant information of corporate governance

Applicable N/A

(1) Corporate governance

The Company stipulated rules and regulations of AGM, board meeting and supervisory committee meeting in accordance with laws and regulations of the *Company Law* and *Securities Law*, clarified duty and authority of decision-making, implementation and supervision and formulated a legal person governance with scientific authority, decision-making organization, supervisory organization and the Management.

In accordance with relevant laws and regulations and normative documents, the Company continued to complete systems orienting by the *Articles of Association*, which including the *Rules of Procedure of Shareholders' General Meeting*, *Rules of Procedure of Board of Directors*, *Rules of Procedure of Supervisory Committee*, *Working System of Independent Directors and Working Rules of General Manager*, and systematic guaranteed the standard operation. Meantime, the Board of Directors set up sub-committees including Strategic Committee, Audit Committee and Remuneration and Appraisal Committee, stipulated relevant working regulations, clarified the rights and responsibilities, decision-making procedure and procedure rules, appointed directors in specialty as committee members, ensured the scientific and objective decision-making procedure of the Board as well as the legitimate rights of the shareholders.

Legal person governance is a long term project, the Company will continue to deepen corporate governance, establish long term mechanism to improve corporate governance, strength internal control, enhance standard operation, protect legitimate rights of the Company and shareholders and advance steady development of the Company in accordance with laws and regulations issued by supervisory authorities.

(2) Establishment and implementation of records and management of insiders of internal information

The Company established and implemented *Recording and Managing System of Insiders of Internal Information*, strengthened internal confidential information management, ensured fairness of information disclosure, implemented recorders of insiders of internal information and prevented from insider trading.

In the reporting period, the Company strictly implemented the system, recorded the insiders of internal information in the procedure of reporting, transmission, compiling, audit and the time when insiders receive internal information before information disclosure, all of which should be recorded in SSE timely.

Explanation when there is big difference between company governance and CSRC relevant provisions.

Applicable N/A

2. Brief of Shareholders' General Meetings

Meeting	Convention Date	Reference Website	Disclosure Date
Annual Shareholders' Meeting for 2018	16 May 2019	www.sse.com.cn	17 May 2019
The 1 st Extraordinary Shareholders' Meeting for 2019	30 Dec 2019		31 Dec 2019

Statement of the shareholders' general meeting

Applicable N/A

3. Directors' duty fulfillment

(1) Attendance at board meeting and shareholders' general meeting

Name	Independent director or not?	Attendance at Board Meeting						Attendance at Shareholders' General Meeting
		Meetings they should attend	Attend in person	Attend through correspondence	Attend through proxies	Absent from the meetings	Not attend the meetings in person for consecutive two times	Meetings they should attend
Zhao Jian	No	8	4	4	0	0	No	2
Paul Ravenscroft	No	8	4	4	0	0	No	0
Eddie Chai	No	8	4	4	0	0	No	2
Liu Peng	No	8	3	4	1	0		2
Feng Guiyun	No	8	3	4	1	0	No	1
Liu Jingwei	Yes	8	3	4	1	0	No	0
Li Peng	Yes	8	3	4	0	1	No	1
Ma Yiping	Yes	8	3	4	1	0	No	2

Please indicate any directors who did not attend the board meeting 2 times in succession.

Applicable N/A

Total Board Meetings in 2018	8
Inc: Onsite meetings	4
Telecommunication meetings	4
Onsite & Telecommunication Meetings	-

(2) Different opinions held by independent directors on relevant issues of the Company

Applicable N/A

(3) Others

Applicable N/A

4. The important suggestions provided by the sub-committees under the Board in the reporting period

Applicable N/A

5. Risks discovered by Supervisory Committee

Applicable N/A

6. The situations that the Company unable to keep its independence in business, employee, assets, institution and finance and unable to keep its independent operation ability based on the existence of its controlled shareholder.

Applicable N/A

Please state the solution, progress and follow-up work of the Company if there is horizontal competition.

Applicable N/A

7. Appraisal system for senior officers, and the establishment and implementation of incentive system in the reporting period

Applicable N/A

The general manager and the senior officers of the Management of the Company were appointed by the board of directors who were responsible for the board and accepted the appraisal, reward or punishment from the board. The Management carried out the management in accordance with the development strategy, investment decision and operation target stipulated by the board. The board set remuneration and nomination committee to appraised the business and management performance of the senior officers according to the target the Management set in the beginning of the year, the appraisal submitted to the board for reward or punishment after deliberation.

In the reporting period, the Management fulfilled the responsibility prudentially in accordance with the Company Laws, the Articles of Association and relevant laws and regulations of the country, reinforced the operation under the guidance of the board and laid foundation for the Company's future development

The Company will optimize the incentive and restraint mechanisms to be more market-oriented to improve duty performance of senior officers, enhance corporate governance and maximize the benefits of the shareholders and the Company.

8. Whether disclosed self-evaluation report on internal control

Applicable N/A

Evaluation Report on Internal Control for 2019 was approved at the 15th Meeting of the 9th Board of Directors, please refer to the public announcement published on SSE website www.sse.com.cn on 10 Apr 2020 for details.

Statement of material defect of internal control in the reporting period

Applicable N/A

9. Audit report on internal control

Applicable N/A

The Company appointed Zhong Hua Certified Public Accountants LLP for internal control audit for 2018, Zhong Hua issued unqualified audit report of ZHZ(2020) No.2570, which was published on SSE website www.sse.com.cn.

Whether disclosed Internal Control Audit Report: Yes

10. Others

Applicable ✓ N/A

X. Relevant situation of corporate bonds

Applicable ✓ N/A

SHANGHAI YAOHUA PILKINGTON GLASS

GROUP CO., LTD.

Financial Statements and Auditors' Report

For the Year Ended December 31st, 2019

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AUDITORS' REPORT

Zhonghua CPA(2020) No.2524

To the Shareholders of SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.:

Opinion

We have audited the accompanying financial statements of SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD. (hereafter "SYP Group"), which comprise the consolidated and company balance sheets as at 31 December, 2019 and the consolidated and company income statements, the consolidated and company statements of changes in shareholder's equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly in all material respects, the consolidated and company's financial position of SYP Group as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of SYP Group in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Chinese Institute of Certified Public Accountants Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Provision for the decline in value of inventories

Refer to note 5.8 of the accompanying financial statements, SYP Group's consolidated inventories and inventory provision amounted to RMB1,067,999,334.95 and RMB 95,335,161.18 respectively as at 31 December 2019. Inventory provision is calculated based on management estimate on the net realizable value of inventories. In order to determine the net realizable value of inventories, management may need to develop an estimate on selling prices, costs of completion and costs necessary to make the sale and relevant taxes. Since determining net realizable value of inventories is subject to significant management judgement, we take inventory provision as a key audit matter.

Our procedures, amongst others, include:

- I) Interviewing relevant employees of SYP Group in order to understand the condition of its inventories;
- II) Testing controls relating to inventory purchase to payment, production and inventory storage, in order to assess whether controls were designed and operated effectively;
- III) Observing inventory conditions when performing the supervision procedures of inventory;
- IV) Analysing inventory aging and inventory turnover;
- V) Testing inventory provision calculation.

2. Fixed assets impairment

Refer to note 5.14 of the accompanying financial statements, SYP Group's consolidated net value of fixed assets amounted to RMB 3,364,972,741.56, shared 47.35% of total assets. In accordance with the Accounting Standards for Business Enterprises ("ASBE") No.08-Asset Impairment, SYP Group judges whether there are signs of impairment in fixed assets and tests the impairment of fixed assets with signs of impairment.

The amount of fixed assets of SYP Group is significant. The judgment of impairment of fixed assets and the process of impairment test involve the significant judgment of the management, therefore we took it as key audit matters.

Our procedures, amongst others, include:

- I) Interviewing management in order to understand and assess the effectiveness of design and operation of key internal controls related to fixed assets;
- II) Obtaining the criterion from SYP Group management of whether there are signs of impairment of fixed assets, analyzing and evaluating its rationality;
- III) Investigating the relevant fixed assets on the spot and implementing the supervision procedures of fixed assets to find out whether the assets were in normal operation and use;
- IV) Obtaining and checking the detailed statement on impairment of fixed assets at the end of term and evaluating its rationality;
- V) Examining the adequacy of the disclosure of impairment provisions for fixed assets.

Other Information

Management of SYP Group is responsible for the other information. The other information comprises all of the information included in 2019 annual report of SYP Group other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of SYP Group is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing SYP Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate SYP Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SYP Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

VI) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within SYP Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Zhonghua Certified Public Accountants LLP

Chinese Certified Public Accounts
Kaiyu Rong (Engagement Partner)

Yang Xiong

Shanghai, China

April 8th, 2020

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.**THE COMPANY AND CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31st, 2019**

(All amounts in RMB unless otherwise stated)

Item	Notes	Dec. 31 st , 2019 Consolidated	Dec. 31 st , 2018 Consolidated	Dec. 31 st , 2019 Company	Dec. 31 st , 2018 Company
Current assets					
Cash and cash equivalents	5.1	566,279,805.95	708,772,919.83	236,099,956.11	411,380,112.93
Financial assets held for trading	5.2	261,000,000.00	-	261,000,000.00	-
Financial assets measured at fair value through profit and loss					
Derivative financial assets					
Notes receivable	5.3	132,904,061.42	457,241,078.72	-	1,247,244.01
Accounts receivable	5.4	452,036,770.32	469,932,717.44	5,601,980.93	8,213,760.16
Receivable under financing	5.5	349,522,984.45	-	2,000,000.00	-
Advances to suppliers	5.6	84,367,519.73	124,730,924.34	1,326,190.02	1,300,206.69
Other receivables	5.7	12,129,903.95	11,696,318.12	448,746,306.97	492,682,090.30
Including: Interest receivable		-	-	-	1,345,284.63
Dividends receivable		-	-	106,813,456.25	106,813,456.25
Inventories	5.8	972,664,173.77	1,072,954,477.14	-	-
Assets held for sale					
Non-current assets due within 1 year		-	-	90,143,687.56	610,000,000.00
Other current assets	5.9	38,572,942.44	186,920,354.72	325,427,145.77	430,000,000.00
Total current assets		2,869,478,162.03	3,032,248,790.31	1,370,345,267.36	1,954,823,414.09
Non-current assets					
Debt investments					
Available-for-sales financial assets	5.10	-	18,007,766.40	-	-
Other debt investments					
Held-to-maturity investments					
Long-term receivables		-	-	90,000,000.00	90,000,000.00
Long-term equity investments	5.11	-	-	2,008,879,937.25	2,008,879,937.25
Investment in other equity instrument					
Other non-current financial assets	5.12	15,000,000.00	-	-	-
Investment properties	5.13	70,802,208.47	69,521,598.71	37,951,776.36	39,397,558.32
Fixed assets	5.14	3,364,972,741.56	3,458,514,755.66	307,324,432.80	334,853,340.82
Construction in progress	5.15	303,647,406.29	189,933,801.67	-	-
Productive biological assets					
Oil and gas assets					
Intangible assets	5.16	391,077,778.90	430,350,374.66	53,959,002.63	74,120,699.63
Development expenditures	5.17	707,582.22	800,275.10	707,582.22	800,275.10
Goodwill	5.18	-	-	-	-
Long-term prepayments	5.19	76,442,936.81	83,175,507.61	-	-
Deferred income tax assets	5.20	14,007,650.27	11,413,776.58	-	-
Other non-current assets		-	-	630,874,805.55	110,000,000.00
Total non-current assets		4,236,658,304.52	4,261,717,856.39	3,129,697,536.81	2,658,051,811.12
TOTAL ASSETS		7,106,136,466.55	7,293,966,646.70	4,500,042,804.17	4,612,875,225.21

The accompanying notes form part of the financial statements.

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.**THE COMPANY AND CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31st, 2019 (CONTINUED)**

(All amounts in RMB unless otherwise stated)

Item	Notes	Dec. 31 st , 2019 Consolidated	Dec. 31 st , 2018 Consolidated	Dec. 31 st , 2019 Company	Dec. 31 st , 2018 Company
Current Liabilities					
Short-term borrowings	5.21	851,069,134.29	1,202,000,000.00	720,886,222.63	1,000,000,000.00
Financial liabilities held for trading					
Financial liabilities measured at fair value through profit and loss					
Derivative financial liabilities					
Notes payable	5.22	439,212,060.32	475,794,861.94	-	-
Accounts payable	5.23	629,219,105.18	666,203,282.22	5,535,529.33	6,207,690.68
Advances from customers	5.24	87,636,015.63	142,852,143.35	4,407,229.31	4,199,930.56
Employee benefits payable	5.25	88,995,801.79	75,786,762.23	39,810,206.66	35,931,863.18
Taxes and surcharges payable	5.26	17,707,005.96	15,597,665.26	1,553,772.61	1,115,745.35
Other payables	5.27	291,974,994.04	218,236,186.44	494,573,811.13	261,071,856.11
Including: Interest payable	5.27.2	-	1,793,664.57	-	1,310,558.35
Dividends payable					
Liabilities held for sale					
Non-current liabilities due within 1 year	5.28	30,600,774.38	32,844,586.42	-	-
Other current liabilities					
Total current liabilities		2,436,414,891.59	2,829,315,487.86	1,266,766,771.67	1,308,527,085.88
Non-current liabilities					
Long-term borrowings	5.29	50,024,786.24	102,796,666.66	-	-
Bonds payable					
Including: Preferred stock					
Sustainable debt					
Long-term payables	5.30	90,496,782.56	90,496,782.56	-	-
Long-term employee benefits payable					
Contingent liabilities					
Deferred revenue	5.31	503,239,636.97	569,133,474.65	386,143,981.44	436,792,411.68
Deferred income tax liabilities	5.20	5,951,052.39	5,383,213.86	-	-
Other non-current liabilities					
Total non-current liabilities		649,712,258.16	767,810,137.73	386,143,981.44	436,792,411.68
Total liabilities		3,086,127,149.75	3,597,125,625.59	1,652,910,753.11	1,745,319,497.56
Owner's equity					
Paid-in capital	5.32	934,916,069.00	934,916,069.00	934,916,069.00	934,916,069.00
Other equity instruments					
Including: Preferred stock					
Sustainable debt					
Capital reserves	5.33	1,156,299,509.66	1,129,842,709.38	1,101,403,381.86	1,101,403,381.86
Less: Treasury stocks					
Other comprehensive income	5.34	-12,670,868.57	-12,670,868.57	-12,670,868.57	-12,670,868.57
Special reserve					
Surplus reserve	5.35	492,204,268.27	492,204,268.27	492,204,268.27	492,204,268.27
Undistributed profits	5.36	717,491,458.35	539,253,140.08	331,279,200.50	351,702,877.09
Total equity attribute to equity holders of the Group		3,288,240,436.71	3,083,545,318.16	2,847,132,051.06	2,867,555,727.65
Minority interest		731,768,880.09	613,295,702.95	-	-
Total owner's equity		4,020,009,316.80	3,696,841,021.11	2,847,132,051.06	2,867,555,727.65
TOTAL LIABILITIES AND OWNER'S EQUITY		7,106,136,466.55	7,293,966,646.70	4,500,042,804.17	4,612,875,225.21

The accompanying notes form part of the financial statements.

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.

**THE COMPANY AND CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31st, 2019**

(All amounts in RMB unless otherwise stated)

Item	Notes	2019 Consolidated	2018 Consolidated	2019 Company	2018 Company
Revenue	5.37	4,511,016,242.55	3,857,409,863.63	73,064,103.33	54,975,853.62
Less: Cost of sales	5.37	3,537,208,166.50	3,146,125,303.39	58,989,913.57	53,069,011.72
Taxes and levies	5.38	39,588,910.84	33,829,014.14	2,980,017.97	1,231,783.78
Selling and distribution expenses	5.39	241,420,223.54	198,501,086.31	7,092,217.64	5,774,657.92
General and administration expenses	5.40	255,328,408.67	229,175,658.26	53,414,253.59	54,241,927.48
Research and development expenses	5.41	175,370,294.12	140,073,278.01	-	-
Financial expenses	5.42	42,100,221.37	59,900,405.89	40,872,230.38	50,574,398.79
Including: Interest expenses	5.42	48,723,039.38	61,566,170.96	49,553,384.28	53,947,575.87
Interest incomes	5.42	9,199,138.77	3,231,614.83	8,354,047.13	1,352,108.06
Add: Other incomes	5.43	70,155,868.46	69,450,056.48	50,730,984.15	51,276,210.78
Investment income	5.44	11,852,546.75	41,914,034.25	50,476,364.03	62,053,763.22
Including: income from investment in associates and joint ventures					
income arising from derecognition of financial assets measured at amortised cost					
Net exposure hedging gains					
Gain (loss) from changes in fair value					
Credit losses	5.45	-5,954,345.72	-	-2,177,785.91	-
Assets impairment losses	5.46	-57,295,337.12	-49,979,081.78	-	-1,067,414.76
Net gains from asset disposal	5.47	-1,566,074.94	151,868.27	-1,605,618.91	51,645.03
Operating profit		237,192,674.94	111,341,994.85	7,139,413.54	2,398,278.20
Add: Non-operating income	5.48	5,887,672.98	9,115,701.01	904,425.66	1,974,050.00
Less: Non-operating expenses	5.49	9,367,551.42	975,088.59	420,033.72	15,914.22
Total profit		233,712,796.50	119,482,607.27	7,623,805.48	4,356,413.98
Less: Income tax expenses	5.50	11,481,252.07	12,642,468.46	-	-
Net profit		222,231,544.43	106,840,138.81	7,623,805.48	4,356,413.98
(I) Classified by business continuity					
1. Continuous operating net profit		222,231,544.43	106,840,138.81	7,623,805.48	4,356,413.98
2. Termination of operating net profit					
(II) Classified by ownership					
1. Attributable to minority interests		13,734,096.81	16,158,286.58	-	-
2. Attributable to equity holders of the Company		208,497,447.62	90,681,852.23	-	-
Other comprehensive income					
Attributable to equity holders of the Company					
(I) Other comprehensive income couldn't be reclassified into the profits and losses					
1. Remeasurement of changes in net liabilities or net assets under defined benefit plans					
2. The unit of other comprehensive income could not be reclassified to income statements of the investee under the equity methods					
3. Changes in fair value of investments in other equity instruments					
4. Changes in fair value of entity's own credit risk					
(II) Other comprehensive income could be reclassified into the profits and losses					
1. The unit of other comprehensive income will be reclassified to income statements of the investee under the equity methods					
2. Changes in fair value of other debt investments					
3. Gains or losses from the changes of fair value of available for sale financial assets					
4. The amount of financial assets reclassified into other comprehensive income					
5. Gains or losses from the reclassification of hold-to-maturity investments to available for sale financial assets.					
6. Provision for credit impairment of other debt investments					
7. Cash flow hedge reserve					
8. The difference between the translations of foreign currency financial statements.					
9. Others					
Attributable to minority interests					
Total comprehensive income		222,231,544.43	106,840,138.81	7,623,805.48	4,356,413.98
Including: Attributable to equity holders of the Company		208,497,447.62	90,681,852.23	-	-
Attributable to minority interests		13,734,096.81	16,158,286.58	-	-
Earnings per share					
-Basic earnings per share		0.22	0.10	-	-
-Diluted earnings per share		0.22	0.10	-	-

There has occurred the consolidation under common controls during the reporting period. The net profits of the combined party which has been realized prior to the combination is 0 yuan, The net profits of the combined party prior period is 0 yuan.

The accompanying notes form part of the financial statements.

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.

**THE COMPANY AND CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31st, 2019**

(All amounts in RMB unless otherwise stated)

Item	Notes	2019 Consolidated	2018 Consolidated	2019 Company	2018 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		5,035,568,386.01	4,566,966,328.43	52,037,735.94	92,829,912.05
Refund of taxes and surcharges		3,209,356.07	25,837,590.31	-	-
Cash received relating to other operating activities	5.51.1	23,622,466.84	30,266,069.59	11,573,550.87	30,037,258.74
Sub-total of cash inflows		5,062,400,208.92	4,623,069,988.33	63,611,286.81	122,867,170.79
Cash paid for goods and services		3,319,172,947.42	3,265,292,302.38	1,621,276.67	12,594,204.02
Cash paid to and on behalf of employees		630,449,193.25	602,886,048.55	69,022,818.19	67,002,368.96
Payments of taxes and surcharges		208,183,024.10	132,461,058.36	6,478,372.41	4,808,070.22
Cash paid relating to other operating activities	5.51.2	306,324,385.48	245,492,644.67	37,868,586.77	12,237,112.26
Sub-total of cash outflows		4,464,129,550.25	4,246,132,053.96	114,991,054.04	96,641,755.46
Net cash flows from operating activities	5.52.1	598,270,658.67	376,937,934.37	-51,379,767.23	26,225,415.33
2. Cash flows from investing activities					
Cash received from disposal of investments		1,912,817,996.31	2,188,657,910.98	2,785,000,000.00	2,450,910,000.00
Cash received from returns on investments		6,042,316.84	18,585,761.06	50,376,009.78	62,067,688.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		22,826,023.36	3,854,187.62	15,888,323.36	58,977.08
Cash received from disposal of subsidiaries and other companies					
Cash received relating to other investing activities		-	-	873,929,274.11	1,543,103,615.34
Sub-total of cash inflows		1,941,686,336.51	2,211,097,859.66	3,725,193,607.25	4,056,140,281.27
Cash paid to acquire fixed assets, intangible assets and other long-term assets		382,834,483.94	362,787,776.57	1,174,397.51	3,198,147.00
Cash paid to acquire investments		1,755,000,000.00	1,995,000,000.00	2,691,000,000.00	2,726,021,041.53
Cash paid to acquire subsidiary					
Cash paid relating to other investing activities	5.51.3	-	7,376,635.98	548,893,271.14	1,084,303,059.47
Sub-total of cash outflows		2,137,834,483.94	2,365,164,412.55	3,241,067,668.65	3,813,522,248.00
Net cash flows from investing activities		-196,148,147.43	-154,066,552.89	484,125,938.60	242,618,033.27
3. Cash flows from financing activities					
Cash received from capital contributions		134,017,105.25	-	-	-
Including: Cash received from capital contributions by minority equity holders of subsidiaries		134,017,105.25	-	-	-
Cash received from borrowings		865,000,000.00	1,741,950,000.00	720,000,000.00	1,450,000,000.00
Cash received from issuing bonds					
Cash received relating to other financing activities	5.51.4	49,500,000.00	-	-	-
Sub-total of cash inflows		1,048,517,105.25	1,741,950,000.00	720,000,000.00	1,450,000,000.00
Cash repayments of borrowings		1,274,734,586.42	1,720,796,666.67	1,000,000,000.00	1,580,000,000.00
Cash paid for interest expenses and distribution of dividends or profits		77,262,378.29	81,174,774.33	78,025,202.07	69,066,095.44
Including: Cash paid for dividends or profit to minority equity holders of a subsidiary					
Cash paid relating to other financing activities	5.51.5	3,854,529.56	678,000.00	-	-
Sub-total of cash outflows		1,355,851,494.27	1,802,649,441.00	1,078,025,202.07	1,649,066,095.44
Net cash flows from financing activities		-307,334,389.02	-60,699,441.00	-358,025,202.07	-199,066,095.44
4. Effect of foreign exchange rate changes on cash and cash equivalents		1,905,115.65	106,329.13	-1,185.42	6,675.77
5. Net (decrease)/increase in cash and cash Equivalents	5.52.2	96,693,237.87	162,278,269.61	74,719,783.88	69,784,028.93
Add: Cash and cash equivalents at beginning of year	5.52.2	361,989,393.61	199,711,124.00	161,363,382.73	91,579,353.80
6. Cash and cash equivalents at the end of the year	5.52.2	458,682,631.48	361,989,393.61	236,083,166.61	161,363,382.73

The accompanying notes form part of the financial statements.

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31st, 2019

(All amounts in RMB unless otherwise stated)

Item	For the Year Ended December 31 st , 2019											
	Share Capital	Other Equity Instruments			Capital Surplus	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Minority Interest	Total Owner's Equity
		Preferred Stock	Sustainable debt	Others								
Balance as at Dec. 31st, 2018	934,916,069.00				1,129,842,709.38		-12,670,868.57		492,204,268.27	539,253,140.08	613,295,702.95	3,696,841,021.11
Changes in accounting policies										-2,211,647.28	-67,642.00	-2,279,289.28
Correction of accounting errors												
Business combination of entities under common controls												
Others												
Balance at Jan. 1st, 2019	934,916,069.00				1,129,842,709.38		-12,670,868.57		492,204,268.27	537,041,492.80	613,228,060.95	3,694,561,731.83
Movement for the Year 2019					26,456,800.28					180,449,965.55	118,540,819.14	325,447,584.97
I. Total comprehensive income										208,497,447.62	13,734,096.81	222,231,544.43
II. Capital contribution and withdrawal by owners					26,456,800.28						105,005,588.00	131,462,388.28
-Capital contribution					26,456,800.28						105,005,588.00	131,462,388.28
-Capital contributed by other equity instruments holders												
-Share-based payments recognized in owner's equity												
-Others												
III. Profit distribution										-28,047,482.07	-198,865.67	-28,246,347.74
-Reclassification to surplus reserve												
-Distribution to owners										-28,047,482.07	-198,865.67	-28,246,347.74
-Others												
IV. Reclassification												
-Capitalized capital reserve												
-Capitalized surplus reserve												
-Surplus reserve used to make up losses												
-Changes arising from defined benefit plan transferred to retained earnings												
-Transfer other comprehensive income to retained earnings												
-Others												
V. Special reserve												
-Appropriation of special reserve												
-Usage of special reserve												
VI. Others												
Balance as at Dec. 31st, 2019	934,916,069.00				1,156,299,509.66		-12,670,868.57		492,204,268.27	717,491,458.35	731,768,880.09	4,020,009,316.80

The accompanying notes form part of the financial statements.

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31st, 2019 (CONTINUED)

(All amounts in RMB unless otherwise stated)

Item	For the Year Ended December 31 st , 2019											
	Attributable to equity holders of the Group										Minority Interest	Total Owner's Equity
	Share Capital	Other Equity Instruments			Capital Surplus	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits		
	Preferred Stock	Sustainable debt	Others									
Balance as at Dec. 31st, 2018	934,916,069.00				1,129,842,709.38		-12,670,868.57		492,204,268.27	463,529,944.95	597,137,416.37	3,604,959,539.40
Changes in accounting policies												
Correction of accounting errors												
Business combination of entities under common controls												
Others												
Balance at Jan. 1st, 2019	934,916,069.00				1,129,842,709.38		-12,670,868.57		492,204,268.27	463,529,944.95	597,137,416.37	3,604,959,539.40
Movement for the Year 2019										75,723,195.13	16,158,286.58	91,881,481.71
I. Total comprehensive income										90,681,852.23	16,158,286.58	106,840,138.81
II. Capital contribution and withdrawal by owners												
-Capital contribution												
-Capital contributed by other equity instruments holders												
-Share-based payments recognized in owner's equity												
-Others												
III. Profit distribution										-14,958,657.10		-14,958,657.10
-Reclassification to surplus reserve												
-Distribution to owners										-14,958,657.10		-14,958,657.10
-Others												
IV. Reclassification												
-Capitalized capital reserve												
-Capitalized surplus reserve												
-Surplus reserve used to make up losses												
-Changes arising from defined benefit plan transferred to retained earnings												
-Transfer other comprehensive income to retained earnings												
-Others												
V. Special reserve												
-Appropriation of special reserve												
-Usage of special reserve												
VI. Others												
Balance as at Dec. 31st, 2019	934,916,069.00				1,129,842,709.38		-12,670,868.57		492,204,268.27	539,253,140.08	613,295,702.95	3,696,841,021.11

The accompanying notes form part of the financial statements.

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.**THE COMPANY STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY****FOR THE YEAR ENDED DECEMBER 31st, 2019****(All amounts in RMB unless otherwise stated)**

Item	For the Year Ended December 31 st , 2019										
	Share Capital	Other Equity Instruments			Capital Surplus	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Total Owner's Equity
		Preferred Stock	Sustainable debt	Others							
Balance as at Dec. 31st, 2018	934,916,069.00				1,101,403,381.86		-12,670,868.57		492,204,268.27	351,702,877.09	2,867,555,727.65
Changes in accounting policies											
Correction of accounting errors											
Others											
Balance at Jan. 1st, 2019	934,916,069.00				1,101,403,381.86		-12,670,868.57		492,204,268.27	351,702,877.09	2,867,555,727.65
Movement for the Year 2019										-20,423,676.59	-20,423,676.59
I. Total comprehensive income										7,623,805.48	7,623,805.48
II. Capital contribution and withdrawal by owners											
-Capital contribution											
-Capital contributed by other equity instruments holders											
-Share-based payments recognized in owner's equity											
-Others											
III. Profit distribution										-28,047,482.07	-28,047,482.07
-Reclassification to surplus reserve											
-Distribution to owners										-28,047,482.07	-28,047,482.07
-Others											
IV. Reclassification											
-Capitalized capital reserve											
-Capitalized surplus reserve											
-Surplus reserve used to make up losses											
-Changes arising from defined benefit plan transferred to retained earnings											
-Transfer other comprehensive income to retained earnings											
-Others											
V. Special reserve											
-Appropriation of special reserve											
-Usage of special reserve											
VI. Others											
Balance as at Dec. 31st, 2019	934,916,069.00				1,101,403,381.86		-12,670,868.57		492,204,268.27	331,279,200.50	2,847,132,051.06

The accompanying notes form part of the financial statements.

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.
THE COMPANY STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31st, 2019 (CONTINUED)
 (All amounts in RMB unless otherwise stated)

Item	For the Year Ended December 31 st , 2019										
	Share Capital	Other Equity Instruments			Capital Surplus	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Total Owner's Equity
		Preferred Stock	Sustainable debt	Others							
Balance as at Dec. 31st, 2018	934,916,069.00				1,101,403,381.86		-12,670,868.57		492,204,268.27	362,305,120.21	2,878,157,970.77
Changes in accounting policies											
Correction of accounting errors											
Others											
Balance at Jan. 1st, 2019	934,916,069.00				1,101,403,381.86		-12,670,868.57		492,204,268.27	362,305,120.21	2,878,157,970.77
Movement for the Year 2019										-10,602,243.12	-10,602,243.12
I. Total comprehensive income										4,356,413.98	4,356,413.98
II. Capital contribution and withdrawal by owners											
-Capital contribution											
-Capital contributed by other equity instruments holders											
-Share-based payments recognized in owner's equity											
-Others											
III. Profit distribution										-14,958,657.10	-14,958,657.10
-Reclassification to surplus reserve											
-Distribution to owners										-14,958,657.10	-14,958,657.10
-Others											
IV. Reclassification											
-Capitalized capital reserve											
-Capitalized surplus reserve											
-Surplus reserve used to make up losses											
-Changes arising from defined benefit plan transferred to retained earnings											
-Transfer other comprehensive income to retained earnings											
-Others											
V. Special reserve											
-Appropriation of special reserve											
-Usage of special reserve											
VI. Others											
Balance as at Dec. 31st, 2019	934,916,069.00				1,101,403,381.86		-12,670,868.57		492,204,268.27	351,702,877.09	2,867,555,727.65

The accompanying notes form part of the financial statements.

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

1 COMPANY BACKGROUND

1.1 Company Background

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD. (hereafter "the Company") was approved to be incorporated by the Ministry of Foreign Trade and Economics Co-operations with document No. WJMZ (1983)11 on June 7th, 1983. After restructure, the Company issued shares by public offering, the domestic shares (hereafter "A shares") and domestically listed foreign shares ("B shares") to the public, as approved by the relevant department in September 1993. Both shares have been listed in Shanghai Stock Exchange for public trading since January 28th, 1994. The registered capital of the Company is RMB 731,250,082.00 by far, with A shares representing 74.36% of the registered capital and B shares representing 25.64%. The Company issued non-public RMB common shares this year as approved by China Securities Regulatory Commission with document Regulatory Permission [2013] No. 1455. Thus the registered capital was increased by RMB 203,665,987.00. The registered capital of the Company is RMB 934,916,069.00 by far, with A shares representing 79.94% of the registered capital and B shares representing 20.06%. The capital contribution was verified by Shanghai Zhonghua Certified Public Accountants (now named as Zhonghua Certified Public Accountants) as at December 30th, 2013 with Capital Verification Report (2014) No.5736. The company exchanged business licence by the Shanghai Administration of Industry and Commerce in January 10th, 2019, and unified social credit code is 91310000607210186Q.

The registered address of the Company and its business address is Building No. 4-5, 1388 Zhangdong Road, Pudong New Area, Shanghai.

The Company and its subsidiaries (referred to as the "Group") are mainly engaged in production and sales of clear float glass, tinted float glass, automobile glass, deep processing glass and other special glass product, sales of self-produced products. The major products of the Group include float glass, processed glass and automobile glass.

Shanghai Building Materials (Group) Corporation, ultimately controlled by Shanghai Land (Group) Co., Ltd., was the investor holding the greatest proportion of shares in the Company.

The financial statements shall be disclosed in April 8th, 2020, which has been approved by the Board.

1.2 The scope of the the current year Consolidated Financial Statements

The scope of the the current year Consolidated Financial Statements refers to note "6. Changes in the scope of consolidation" and "7. Disclosure of equity in other entities".

2 Basis of preparation

2.1 Basis of preparation

The Company shall recognize and measure the actually occurred transactions and events according to the Accounting Standards for Enterprises-Basic Standards and the provisions of other accounting standards The financial statements prepared by the Company also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC").

The financial statement has been prepared on the basis of continuous operation.

2.2 Continuous operation

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

The going concern assumption of the Company is appropriate in the twelve months from the end of the reporting period assessed by the company; there is no significant doubt factor upon the company's ability to continue as a going concern.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

3.1 Statement of compliance with the Accounting Standards of Business Enterprises

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises. These financial statements prepared by the Company present truly and completely the consolidated financial position and financial position of the Company as at December 31st, 2019, and the consolidated financial performance and financial performance and the consolidated cash flow and cash flows of the Company for the year then ended.

3.2 Accounting period

The accounting year of the Company coincides with calendar year, i.e., from 1 January to 31st December on the Gregorian calendar.

3.3 Functional currency

The functional currency is Renminbi (RMB).

3.4 Accounting treatments for business combinations involving entities under common control and not under common control

3.4.1 Business combination of entities under common control

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

The long-term equity investment shall be initially measured at the carrying amount of the net assets obtained by the acquirer through the transfer of the consideration in a business combination (for example, cash, non-monetary assets or liabilities assumed by the acquirer). As for the balance between the carrying amount of the net assets obtained by the acquirer and the carrying amount of the consideration paid by it, the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted. Costs directly attributable to business combination are recorded into the profits and losses once incurred.

If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date, The aggregate face value of the shares issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retain earnings.

The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the absorbing party or acquirer for the business combination, shall be recognized in profit or loss as incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.4 Business combination (Continued)

3.4.2 Business combination of entities not under common controls

A business combination of entities or businesses not under common control is a business combination in which none of the combining entities or businesses is ultimately controlled by the same party or parties both before and after the business combination.

In a business combination achieved in one stage, the cost of combination obtained by the acquirer are measured at the acquisition-date fair value of the assets transferred by the acquirer, liabilities assumed or incurred by the acquirer and equity instruments issued by the acquirer in exchange of control of an acquiree. In a business combination achieved in stages, the cost of combination is the accumulating costs for each individual acquisition. Such costs as audit, legal, advisory and other professional fees that directly attributable to business combination are included in the profits and losses once incurred. Transaction costs attributed to issue equity securities or debt securities for business combination are recorded into initial recognition amounts of equity securities or debt securities.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at the fair value at the acquisition date. The excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Company's share of fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

3.4.3 Exercising control over an investee not under common control due to additional investment or other reasons.

In stand-alone financial statements, the investor shall change to the cost method and use the carrying amount of the previously-held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. For the previously-held equity investment which was accounted for in accordance with "Accounting Standard for Business Enterprises No.22- Financial Instrument: Recognition and Measurement", the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the cost method.

When preparing the consolidated financial statements, the acquirer shall remeasured its previously held equity interest in the acquirer to its fair value at the acquisition date, the difference between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition take place. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes shall be transferred to profit or loss for the current period when the acquisition takes place.

3.5 Basis of preparation of consolidated financial statements

3.5.1 Scope of consolidation

The scope of consolidation includes the Company and all of its subsidiaries. The scope of consolidated financial statements shall be determined on the basis of control.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.5 Basis of preparation of consolidated financial statements (Continued)

3.5.2 The basis of control

Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Relevant activities refer to activities of the investee that significantly affect the investee's returns.

3.5.3 Decision-maker and agent

An agent only exercises its decision-making rights on behalf of the principals and therefore does not control the investee. When an investor delegates its decision-making authority to an agent on relevant activities of the investee, the investor shall treat the decision-making rights delegated to its agent as held by the investor directly.

A decision maker shall consider the overall relationship between itself, the investee and other investors involved with the investee in determining whether it is an agent.

- i) When a single party holds substantive rights to remove the decision maker without cause, the decision maker is an agent.
- ii) Except in the situation in i), a decision maker shall consider: The scope of its decision-making authority over the investee; the substantive rights held by other parties; the remuneration of the decision maker; and the decision maker's exposure to variability of returns from other interests that it holds in the investee.

3.5.4 Investment entity

A parent is an investment entity when all of the following conditions are satisfied:

- i) The company obtains fund from one or more investors for the purpose of providing the investors with investment management services;
- ii) The company's business purpose is to invest funds solely for returns from capital appreciation, investment income or both for its investors;
- iii) The company measures and evaluates the performance of substantially all of its investments on a fair value basis.

A parent that is an investment entity usually has all of the following characteristics:

- i) it has more than one investment;
- ii) it has more than one investor;
- iii) it has investors that are not related parties of the entity;
- iv) it has ownership interests in the form of equity or similar interests.

If the parent is an investment entity, it shall only consolidate the subsidiary (if any) that provides relevant services that relate to its investment activities and prepare consolidated financial statements. Other subsidiaries shall not be consolidated. Instead, the parent shall measure its investment in other subsidiaries at fair value through profit of loss.

A parent, which itself is not an investment entity, of an investment entity shall consolidate all entities that it controls, including those indirectly controlled through an investment entity subsidiary.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.5 Basis of preparation of consolidated financial statements (Continued)

3.5.5 Consolidation procedures

When the accounting policies of its subsidiaries are different from those of the parent, the parent shall make necessary adjustments to the financial statement of the subsidiary based on its own accounting policies, or require the subsidiary to prepare another set of financial statements in accordance with the parent's accounting policies.

The consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owners' equity shall be prepared by the parent by combining the balance sheets of the parent and its subsidiaries after eliminating the effects of intergroup transactions, i.e. transactions between the parent and its subsidiaries and transactions between subsidiaries, on the consolidated balance sheet.

Unrealized profits and losses resulting from the sale of assets by the parent to its subsidiaries shall be fully eliminated against "net profit attributable to owners of the parent". Unrealized profits and losses resulting from the sale of assets by a subsidiary to the parent shall be eliminated and allocated between "net profits attributable to owners of the parent" and "non-controlling interests" in accordance with the allocation proportion of the parent in the subsidiary. Unrealized profits and losses resulting from the sale of assets by one subsidiary to another shall be eliminated and allocated between "net profits attributable to owners of the parent" and "non-controlling interests" in accordance with the allocation proportion of the parent in the subsidiary making the sale.

That portion of a subsidiary's equity that is not attributable to the parent shall be treated as non-controlling interests and presented as non-controlling interests and presented as "on-controlling interests" in the consolidated balance sheet within owners' equity. That portion of net profits and losses of subsidiaries for the period attributable to non-controlling interests shall be presented in the consolidated income statement below the "net profit "line item as" non-controlling interests". That portion of the comprehensive income of subsidiaries for the period attributable to non-controlling interests shall be presented in the consolidated income statement below the "total comprehensive income" line item as "total comprehensive income attributable to non-controlling interests". If there are non-controlling shareholders, "non-controlling interests" shall be separately presented in the consolidated statement of changes in owners' equity to reflect the movements of non-controlling interests in equity. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess shall be allocated against the non-controlling interests.

When preparing the consolidated balance sheet, if the parent has acquired a subsidiary or business during the reporting period through a business combination involving enterprises under common control, the opening balances of the consolidated balance sheet shall be adjusted for that subsidiary or business, the subsidiary's revenue, expenses and profit, from the beginning to the end of the reporting period in which the combination takes places, shall be included in the consolidated income statement. The cash flow of the subsidiary or business, from the beginning to the end of reporting period in which the combination takes places, shall be included in the consolidated cash flow statement. In addition, relevant items in the comparative statement shall be adjusted as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained control.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.5 Basis of preparation of consolidated financial statements (Continued)

3.5.5 Consolidation procedures (Continued)

If a subsidiary or business has been acquired through a business combination not involving enterprises under common control, or by other means, the opening balances of the consolidated balance sheet shall not be adjusted for the subsidiary or business, the revenue, expenses and profits of that subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of that subsidiary or business, from the acquisition date to the end of reporting period, shall be included in the consolidated cash flow statement.

When preparing the consolidated balance sheet, if the parent has disposed of a subsidiary or business during the reporting period, the opening balances of the consolidated balance sheet shall not be adjusted for the subsidiary or business, the revenue, expenses and profit of that subsidiary or business, from the beginning of the reporting period to the date of disposal, shall be included in the consolidated income statement, the cash flows of that subsidiary or business, from the beginning of the reporting period to the date of disposal, shall be included in the consolidated cash flow statement.

3.5.6 Accounting treatment for special transactions

3.5.6.1 Acquire a subsidiary's equity interest held by non-controlling shareholders

The difference between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the new shareholding proportion shall be adjusted to the capital reserve (capital premium or share premium) in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

3.5.6.2 Dispose of a portion of the long-term equity investments in a subsidiary without loss of control.

When the parent disposes of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary calculated continuously from the acquisition date or the combination date related to the disposal of the long-term equity investments shall be adjusted to the capital reserve (capital premium or share premium) in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

3.5.6.3 Lose control of an investee due to the disposal of a portion of an equity investment or other reason, accounting treatment for the remaining equity investment.

The remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or the combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost, and the goodwill related to the subsidiary shall also be derecognized. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.5 Basis of preparation of consolidated financial statements (Continued)

3.5.6.4 Lose control of a subsidiary in multiple transactions in which it dispose of its subsidiary in stages, and each of the multiple transactions forms part of a bundled transaction which eventual result in loss of control of the subsidiary

These multiple transactions should be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding portion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the parent eventually loses control of the subsidiary.

3.6 Classification of a joint arrangement and Accounting by parties to a joint operation

3.6.1 Classification of a joint arrangement

A joint arrangement is classified as either a joint operation or a joint venture.

3.6.2 Accounting by parties to a joint operation

A joint operator shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- i) its solely-held assets, and its share of any assets held jointly;
- ii) its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- iii) its revenue from the sale of its share of the output arising from the joint operation;
- iv) its share of the revenue from the sale of the output by the joint operation;
- v) its solely-incurred expenses, and its share of any expenses incurred jointly.

When a joint operator enters into a transaction with a joint operation, such as a sale of contribution of assets (except assets that constitute a business), the joint operator shall recognize gains or losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation before the sale of those assets to a third party by the joint operation. When those assets to be sold or contributed incur an impairment loss as defined in "Accounting Standard for Business Enterprises No.8- Impairment of Assets" and other relevant accounting standards, those losses shall be recognized fully by the joint operator.

When a joint operator enters into a transaction with a joint operation, such as a purchase of assets (except assets that constitute a business), the joint operator shall recognize gains or losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation until it resells those assets to a third party. When those assets to be purchased incur an impairment loss as defined in "Accounting Standard for Business Enterprises No.8- Impairment of Assets" and other relevant accounting standards, those joint operator shall recognize its share of those losses.

For a party that participates in, but does not have joint control of, a joint operation, if that party has rights to the assets, and obligations for the liabilities, relating to the joint operation, it shall account for its interest in the arrangement in accordance with former treatment, otherwise, if that party has neither rights to the assets not obligations for the liabilities relating to the joint operation, it shall account for its interest in the joint operation in accordance with the relevant accounting standards.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.7 Cash and cash equivalent

Cash presented in the cash flow statements comprise cash on hand and deposits that can be readily withdraw on demand, and cash equivalent refers to short-term (Generally refers to the expiration within three months since the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.8 Foreign currency transactions and translations

3.8.1 Foreign currency transactions

On the initial recognition, foreign currency transactions are translated into RMB by applying an exchange rate that approximates the actual spot exchange rate at the dates of transactions.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at that date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on the initial recognition are recognized in profit and loss for the current period, except for exchange differences arising from foreign exchange borrowings that have been taken out specially for the acquisition and construction or production of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rate at the date of the transactions.

3.8.2 Foreign currency translations

The asset and liability items in the balance sheets for foreign operation are translated at the spot exchange rate on the balance sheet date. Among the owner's equity items, the items other than "undistributed profits" are translated at the spot exchange rate of the transaction date. The income and expense items in the income statements of overseas businesses are translated at the spot exchange rate of the transaction date. The differences arising from the above translation are presented separately in the owner's equities. The cash flows of overseas businesses are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

3.9 Financial instruments

3.9.1 Recognition and de-recognition of financial instruments

Financial assets or liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument.

For the purchase and sale of financial assets in regular means, the Company shall recognize the assets received and the liabilities undertaken, or de-recognize the assets that have been sold on transaction date. In the meanwhile, the Company shall recognize the income or loss for disposal and the receivables that should be collected from the customers.

Financial assets are derecognized when:

- i) The Company's contractual rights to the cash flows from the financial asset expire;
- ii) The financial asset has been transferred and the Company transfers substantially all of the risks and rewards of ownership of the financial asset;
- iii) The financial asset has been transferred, the Company neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, but the company has not retained control over the

transferred asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

Where the current obligation of a financial liability (or part of it) has been discharged, the company shall derecognize the financial liability (or part of it).

3.9.2 Classification of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, financial assets are divided into the following three categories:

- i) Financial assets measured at amortized cost;
- ii) Financial assets measured at fair value through other comprehensive income ("FVOCI");
- iii) Financial assets measured at fair value through profit or loss ("FVTPL").

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following condition:

- i) It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2) Financial assets measured at fair value through other comprehensive income (Debt investments)

A debt investment is measured at FVOCI if it meets both of the following conditions:

- i) It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3) Financial assets measured at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably designate the equity investment as the financial asset measured at FVOCI (equity investments that is not held for trading), and recognize the income of dividend by rules. For the financial assets involving contingent consideration recognized by the Company in the business combination of entities not under common controls, the financial assets shall be classified as at FVTPL.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.3 Classification of financial liabilities

The financial liabilities shall be classified as that measured at amortised cost by the Company except the following situation:

- i) The financial liabilities are measured at fair value through profit or loss, including financial liabilities (including derivative instruments that belongs to financial liabilities) and designated as financial liabilities measured at fair value through profit or loss.
 - ii) The transfer of the financial assets that does not meet the conditions for derecognition or the financial liabilities that formed by transferred financial assets which the Company continues to be involved in.
 - iii) Financial guarantee contracts do not fall under the circumstances of item i) or ii), and loan commitments of which the interest rates are below the market level and which do not fall under the conditions of item i).
- In the business combination of entities not under common controls, the financial liabilities formed by contingent consideration recognized by the Company as the buyer shall be measured at fair value through profit or loss.

On the initial recognition, the Company may designate the financial liabilities as measured at FVTPL for more relevant accounting information. It shall meet the following conditions:

- i) It can eliminate or significantly reduce accounting mismatches.
- ii) According to corporate risk management or investment strategy stated in formal written documents, the Company manages and evaluate performance of financial liability portfolio or financial asset and financial liability portfolio on the basis of fair value, and report it to key management personnel within the Company. Once this designation is made, it cannot be revoked.

3.9.4 Embedded derivatives

Embedded derivatives refer to derivatives embedded in non-derivatives (i.e., main contracts).

If the main contract included in the mixed contract is an asset recognized by financial instrument and regulated by measurement standards, then the company applies the hybrid contract as a whole to the relevant provisions of the very standard regarding the classification of financial assets.

The main contract contained in the mixed contract is not an asset recognized by financial instrument and regulated by measurement standards, and at the same time meets the following conditions, the company splits the embedded derivative products in the hybrid contract and treats them as separate derivatives:

- i) The economic characteristics and risks of embedded derivatives are not closely related to the economic characteristics and risks of the main contract.
- ii) Independent instruments with the same terms as embedded derivatives meet the definition of derivatives.
- iii) Mixed contracts are not measured at fair value through profit or loss for accounting treatment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.5 Reclassification of financial instruments

When the company changes its business model for managing financial assets, it reclassifies all related financial assets affected. The company shall not reclassify all financial liabilities.

The Company reclassifies financial assets, and adopts the future applicable method for related accounting treatment from the date of reclassification. Reclassification day refers to the first day of the first reporting period after the company's business model for reclassifying financial assets has changed.

3.9.6 Measurement of financial instruments

1) Initial measurement

The company's initial recognition of financial assets or financial liabilities is measured at fair value. For financial assets and financial liabilities that are measured at fair value through profit or loss, the related transaction costs are directly included in the current profit or loss; for other categories of financial assets or financial liabilities, the related transaction costs should be included in the initial recognition amount.

2) Subsequent measurement

After the initial recognition, the company's financial assets of different categories are separately measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss for subsequent measurement.

After the initial recognition, the company's financial liabilities of different categories are separately measured at amortized cost, measured at fair value through profit or loss, or measured in other appropriate method for subsequent measurement.

The amortized cost of a financial asset or financial liability is determined based on the results of the initial adjustment of the financial asset or financial liability as the followings:

- i) Deduct the repaid principal.
- ii) Add or subtract the accumulated amortization amount formed by amortizing the difference between the initially recognized amount and the amount due on the basis of the effective interest rate method.
- iii) Deduct the accumulated loss provisions (only applicable to financial assets).

The Company recognizes interest income in accordance with the effective interest rate method. Interest income is calculated and determined based on the book balance of the financial asset multiplied by the actual interest rate, except for the following:

- i) For the financial assets that have been purchased or originated and have suffered credit impairment, the Company has calculated and determined its interest income based on the amortized cost of the financial asset and the credit-adjusted actual interest rate since initial recognition.
- ii) For the financial assets purchased or originated without credit impairment, but become the ones that have credit impairments in the subsequent period, the Company calculates and determines its interest income according to the amortized cost of the financial asset and the actual interest rate in the subsequent period. If the Company uses the actual interest rate method to calculate interest income on the amortized cost of financial assets in accordance with the above policy and the financial instrument has no credit impairment due to improved credit risk in the subsequent period. If the improvement can be related to an event that occurs after the application of the above policy (such as the debtor's credit rating is upgraded). The Company adjusts

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the method of calculating its interest income by multiplying the actual interest rate to the book balance of the financial asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.7 Impairment of financial assets

1) Impairment items

Based on expected credit losses, the Company performs impairment accounting for the following items and confirms loss provisions:

- i) Financial assets that have been classified into ones measured at amortized cost and ones measured at FVOCI.
- ii) Lease receivables
- iii) Loan commitments and financial guarantee contracts

Other financial assets measured at fair value held by the company do not apply the expected credit loss model, including financial assets measured at fair value through profit or loss, financial assets designated as measured at fair value through other comprehensive income (equity instrument investments not held for trading), and derivative financial assets.

2) Recognition and measurement of impairment provisions

In addition to the financial assets that have been purchased or originated from credit impairment and the financial assets that always measure the loss preparation based on the amount of expected credit losses (i.e., ECL) throughout the lifetime, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition, and measure its provision for loss, and recognize ECL and their changes according to the following situations:

If the credit risk of the financial instrument has not increased significantly since the initial recognition and is in the first stage, the Company measures loss allowance at an amount equal to 12-month (ECL), regardless of the Company's assessment of credit loss is based on a single financial instrument or a combination of financial instruments, and the resulting increase or reversal of the loss allowance is included in the current profit and loss as an impairment loss or gain.

If the credit risk of the financial instrument has increased significantly since the initial recognition and is in the second stage, the Company measures loss allowance at an amount equal to the lifetime ECL, regardless of the Company's assessment of credit loss is based on a single financial instrument or a combination of financial instruments, and the resulting increase or reversal of the loss allowance is included in the current profit and loss as an impairment loss or gain.

If the financial instrument has credit impairment and is in the third stage, the Company only recognizes the cumulative changes in ECL for the entire period of life since initial recognition as provisions for loss on the balance sheet date. On each balance sheet date, the Company calculates the amount of change in ECL for the entire period of life as an impairment loss or gain into the current profit and loss. Even if the ECL for the entire period of life determined on the balance sheet date is less than the amount of ECL reflected in the estimated cash flow at initial recognition, the company recognizes the favorable change in ECL as an impairment gain.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

For financial assets classified as measured at fair value through other comprehensive income (debt instrument investments), the Company recognizes its loss allowance in other comprehensive income, and the impairment loss or gain is included in the current profit and loss. The book value of the financial asset listed in the balance sheet should not be reduced.

In the previous accounting period, the Company has measured the provision for loss equal to the amount of ECL for the entire period of life of the financial instrument, but on the balance sheet date of the current period, the financial instrument is no longer in a situation where there is a significant increase in credit risk since initial recognition. In that case, the Company measures loss allowance at an amount equal to 12-month ECL on the current balance sheet date and the resulting amount of the loss allowance shall be included as an impairment gain through current profit and loss.

When the company cannot obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at a single tool level, the Company assesses whether the credit risk has increased significantly on a portfolio basis.

For all types of financial instruments that apply to this policy, the Company recognizes its credit loss according to the following methods:

- i) For financial assets, credit loss is the present value of the difference between the contractual cash flow received by the Company and the expected cash flow received.
- ii) For lease receivables, credit loss is the present value of the difference between the contractual cash flow that should be received by the Company and the expected cash flow received.
- iii) For undrawn loan commitments, the credit loss should be the present value of the difference between the contractual cash flow that the Company shall collect and the expected cash flow in the situation when commitment holder draws the corresponding loan.
- iv) For a financial guarantee contract, the credit loss shall be the Company's estimated payment to the contract holder for the credit loss, and reduce the present value of the difference between the amounts what the Company expects to collect from the contract holder and the amounts collected from debtor or any other party.
- v) For 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.

3) Significantly increased credit risk

The Company determines whether the credit risk of financial instruments has increased significantly by comparing the default probability of the financial instrument with the expected lifetime determined during initial recognition and the default probability of the instrument with the expected lifetime determined on the balance sheet date. Except the special situations, the Company uses the change in default risk that occurs within the next 12 months as a reasonable estimate of the change in default risk that occurs throughout the lifetime to determine whether the credit risk has increased significantly since the initial recognition.

If the Company determines that the financial instrument has only a low credit risk on the balance sheet date, it can assume that the credit risk of the financial instrument has not increased significantly since its initial recognition. Generally, the Company believes that the credit risk of the financial instrument has significantly increased if there is 30 days overdue, unless there is solid evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.7 Impairment of financial assets (Continued)

4) The impairment of accounts receivable and notes receivable

For notes receivable and accounts receivable, regardless of whether there is a significant financing component, the Company measures the loss provision based on lifetime ECL.

When single notes receivable and accounts receivable cannot be evaluated at a reasonable cost for ECL the Company divides the notes receivable and accounts receivable into several combinations based on the characteristics of credit risk, and calculates the ECL on the combination. If there is objective evidence that a certain note receivable or accounts receivable have been impaired in credit, the Company shall make a bad debt provision for the single bill receivable and accounts receivable and recognizes ECL. For the notes and accounts receivable that are divided into certain portfolios, the Company calculates ECL by referring to the historical experience of credit loss, combining the current situation and the prediction of the future economic situation, through the default risk exposure and the ECL rate for the entire lifetime.

Notes and accounts receivable portfolio:

	Basis of certain portfolio
Portfolio 1 for notes receivable	Commercial acceptance bills out of the scope of consolidation
Portfolio 2 for notes receivable	Commercial acceptance bills within the scope of consolidation
Portfolio 3 for notes receivable	Bank acceptance bills
Portfolio 1 for accounts receivable	Customers classified by aging
Portfolio 2 for accounts receivable	Amount of related parties within the scope of consolidation

5) The impairment of other receivables

For other receivables divided into portfolios, the Company calculates ECL through default risk exposure and ECL rate within the next 12 months or the entire lifetime, referring to historical credit loss experience, combining with current conditions and predictions of future economic conditions.

3.9.8 Gains and losses

The Company calculates the gains or losses of financial assets or financial liabilities measured at fair value through profit and loss unless the financial assets or financial liabilities fall into one of the following situations:

- i) It is part of the hedging relationship specified in "Accounting Standards for Business Enterprises No. 24- Hedging Accounting".
- ii) It is an investment of equity instruments not held for trading, and the Company designates it as a financial asset that is measured at fair value through other comprehensive income.
- iii) It is a financial liability designated as measured at fair value through profit and loss. The change in its fair value caused by the Company's own credit risk should be included in other comprehensive income.
- iv) It is a financial asset classified as measured at fair value through other comprehensive income (debt instrument investment). The changes in fair value other than impairment losses or gains and exchange gains and losses are included in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.8 Gains and losses (Continued)

The Company can only recognize the dividend income and count it into the current profit and loss only if it meets the following conditions at the same time:

- i) The Company's right to receive dividends has been established;
- ii) Economic benefits related to dividends are likely to flow into the Company;
- iii) The amount of dividends can be measured reliably.

Gains or losses arising from financial assets that are measured at amortized cost and that are not part of any hedging relationship shall be included in the current profit or loss when they are derecognized, reclassified according to this item, amortized according to the effective interest rate method or recognized for impairment. If the Company reclassifies a financial asset measured at amortized cost as a financial asset measured at fair value through profit or loss, the asset will be measured at its fair value on the date of reclassification. The difference between the original book value and the fair value is included in the current profit and loss. If a financial asset measured at amortized cost is reclassified as a financial asset measured at fair value through other comprehensive income, the financial asset shall be measured at the fair value on the date of reclassification. The difference between the original book value and the fair value is included in other comprehensive income. Gains or losses arising from financial liabilities that are measured at amortized cost and are not part of any hedging relationship are included in the current profit or loss at the time of derecognition or are included in the relevant period of profit or loss when amortized in accordance with the actual interest rate method.

For the company's designation of financial liabilities as financial liabilities measured at fair value through profit and loss, the gains or losses arising from the financial liabilities are treated in accordance with the following rules:

- i) The amount of change in the fair value of the financial liability caused by the company's own credit risk changes is included in other comprehensive income;
- ii) Other changes in fair value of the financial liability are included in the current profit and loss.

In accordance with note 1) of this article, if the processing of the impact of the financial liability's own credit risk changes will cause or expand the accounting mismatch in profit or loss, the Company's total gains or losses on the financial liability (including the changes of the Company's own credit risk) shall be included in the current profit and loss. When the financial liability is derecognized, the cumulative gains or losses previously included in other comprehensive income should be transferred out of other comprehensive income and included in retained earnings.

If the Company designates an equity instrument investment not held for trading as a financial asset measured at fair value through other comprehensive income, the cumulative gain or loss previously included in other comprehensive income shall be transferred out and included in retained earnings when the financial asset is derecognized.

All gains or losses arising from financial assets that are classified as fair value through other comprehensive income (debt instrument investments) are included in other comprehensive income except for impairment losses or gains and exchange gains and losses until the financial asset is derecognized or reclassified. But the interest of the financial asset shall be included in the current profit and loss, which is calculated through the method of actual interest rate. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income should be transferred into the current profit and loss. If the Company reclassifies the financial asset into other types of financial assets, the accumulated gains or losses previously included in other comprehensive income are transferred out, the fair value of the financial asset on the reclassification date shall be adjusted, and the adjusted amount shall be used as the new book value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.9 Listed in financial statements

The financial asset measured at fair value through profit and loss is listed in the account of "financial assets held for trading" by the Company. Non-current financial assets measured at fair value through profit or loss that are due for more than one year from the balance sheet date and are expected to be held for more than one year are listed in the account of "Other non-current financial assets".

The long-term debt investment measured at amortized cost is listed in the account of "Debt Investment" by the Company. Long-term debt investments due within one year from the balance sheet date are listed in the account of "Non-current assets due within one year". The debt investments purchased by the Company that are due within one year and measured at amortized cost are listed in the account of "Other current assets".

The long-term debt investment that is measured at fair value through other comprehensive income is listed in the account of "Other debt investment" by the Company. The ending book value of long-term debt investments due within one year from the balance sheet date is listed in the account of "Non-current assets due within one year". The debt investments due within one year purchased by the Company that are measured at fair value through other comprehensive income are listed in the account of "Other current assets".

The equity instrument investments not held for trading that are measured at fair value through other comprehensive income is listed in the account of "Other equity instrument investments".

The financial liabilities held for trading assumed by the Company, as well as the financial liabilities held by the company directly designated as measured at fair value through profit and loss, are listed in the account of "Financial liabilities held for trading".

3.9.10 Equity instrument

Equity instruments refer to contracts that can prove the remaining equity in the company's assets after deducting all liabilities. The Company issues (including refinancing), repurchases, sells or cancels equity instruments as equity changes. Transaction costs related to equity transactions are deducted from equity. The Company does not recognize changes in the fair value of equity instruments. The company's distribution to equity instrument holders is treated as a profit distribution, and the stock dividends issued do not affect the total owner's equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.10 Inventories

3.10.1 Classification of inventories

Inventories of the Company includes raw material, work-in-progress, finished goods and turnover materials, etc., presented at the lower of cost and net realizable value.

3.10.2 Inventory costing method

Cost is determined using weighted average method upon delivery of inventories. The cost of finished goods and work in progress comprises raw materials, direct labor and an allocation of all production overhead expenditures incurred based on normal operating capacity. Turnover materials include low-value consumables and packing materials.

3.10.3 The determination of net realizable value of all types of inventories

The excess of cost over the net realizable value is generally recognized as provision for decline in value of inventories in the profit or loss. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of inventories being held and effect of post balance sheet events.

For the production of the materials held in its production, the net realizable value of the finished products is higher than the cost, the material is still in accordance with the cost measurement; decline of the price of materials indicates that the net realizable value of the finished product is lower than the cost, the materials according to the measurement of net realizable value.

The net realizable value of inventory held for the execution of sales contracts or labor contracts is calculated based on the contract price. Inventories more than the number of the sales contract order quantity, the excess part of the net realizable value of inventories shall be calculated based on general sale price.

3.10.4 Inventory system

The Company adopts the perpetual inventory system.

3.10.5 Low-value consumption goods and package material amortization method

Low-value consumption goods and package materials are applying one-off amortization method.

3.11 Assets held for sale

3.11.1 Conditions of classification

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The following conditions are met simultaneously shall be recognized assets held for sale:

- i) According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group must be available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets or disposal groups;
- ii) Its sale is highly probable, that is, the Company has made a resolution on a sale plan and has obtained a firm purchase commitment. The sale is to be completed within one year. The sale of the assets has been approved by the Company's relevant authority or regulatory authority if there are relevant regulations on the transaction.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.11 Assets held for sale (Continued)

3.11.1 Conditions of classification (Continued)

The confirmed purchase commitment refers to the legally binding purchase agreement signed by the company and other parties. The agreement includes important terms such as transaction price, time and sufficiently severe penalty for breach of contract, which makes the possibility of significant adjustment or cancellation of the agreement extremely small.

3.11.2 Measurement of non-current assets or disposal group held for sale

When the company initially measures or re-measures the non-current assets held for sale or the disposal group on the balance sheet date, and its book value is higher than the net value which comes from the fair value subtracting from the selling expenses, the book value is reduced to the net value. The reduced amount is recognized as an asset impairment loss, which is included in the current profit and loss, and at the same time, the provision for impairment of assets held for sale is made.

For non-current assets or disposal groups that are classified as assets held for sale on the acquisition date, the company compares the amount assuming it is not classified as held for sale with the net value which comes from the fair value subtracting from sales expenses for the initial measurement. The amount is measured by the lower of the two. Except for the non-current assets or disposal group obtained in the company merger, the difference arising from the non-current assets or disposal group taking the net value which comes from fair value less sales expenses as the initial measurement amount is included in the current profit and loss.

When the company remeasures the disposal group held for sale on the balance sheet date, it first measures the book value of the assets and liabilities in the disposal group in accordance with the relevant accounting standards, and then performs accounting treatment in accordance with the rules above.

For the recognized impairment loss of assets of the disposal group held for sale, the Company offsets the book value of goodwill in the disposal group firstly, and then offsets the book value proportionally according to the proportion of the book value of each non-current asset measured according to the applicable standards in the disposal group.

If the net value of the non-current assets held for sale after deducting the sale expense increases on the subsequent balance sheet date, the amount written down previously shall be written back within the amount of the assets impairment loss recognized after being classified into assets held for sale. The amount written back shall be included in the current profit and loss. Asset impairment losses recognized before being classified as held-for-sale cannot be reversed.

If the net value of the disposal group held for sale increases on the subsequent balance sheet date, the amount written down previously shall be written back within the amount of the assets impairment loss recognized after being classified into assets held for sale. The amount written back shall be included in the current profit and loss. The deducted book value of goodwill and the asset impairment losses recognized before the classification of non-current assets that are measured by applicable standards before being classified as held for sale cannot be reversed.

The subsequent reversal of the asset impairment loss recognized by the disposal group held for sale is based on the proportion of the book value of each non-current asset measured and determined according to the applicable standards other than goodwill in the disposal group, and its book value is increased proportionally.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.11 Assets held for sale (Continued)

Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortized, and interest of liabilities and other expenses in the disposal group held for sale continue to be recognized.

When a non-current asset or a disposal group no longer continues to be classified in the category of held-for-sale because it no longer meets the classification criteria for a category of held-for-sale or a non-current asset is removed from a disposal group held for sale, it is measured according to the lower of the following two:

- i) The book value before being classified as held for sale, and the adjusted amount according to depreciation, amortization or impairment that should be recognized under the assumption that it is not classified as held for sale;
- ii) Recoverable amount.

When the company derecognizes the non-current assets held for sale or the disposal group, the unrecognized gains or losses are included in the current profit and loss.

3.12 Long-term equity investments

3.12.1 The judgment standard of common control and significant influence

In accordance with the relevant agreement on a common control arrangement, and the arrangement of activities must be sharing the right of control participants agreed to the decision, is regarded as a common control. If there are two or more than two parties to a combination of collective control arrangement, not identified as a common control.

The power to participate in making decisions on the financial and operating policies of the invested entity, but is not able to control or joint control together with other parties to formulate these policies, identified as the implementation of major influence over the invested entity.

3.12.2 The determination of the cost of investment

The long-term equity investment acquired through business combination is measured, on the initial recognition, with reference to notes 3.4 Business combination of the financial report. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost, which comprises:

- i) The purchase price actually paid, if the long-term equity investment is acquired by payment in cash; initial investment cost also includes those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment.
- ii) The fair value of the equity securities issued, if the long-term equity investment is acquired by issuing equity securities. The costs directly attributable to the issue of equity securities shall be determined in accordance with "Accounting Standard for Business Enterprises No.37-Financial Instruments: Presentation and Disclosures".
- iii) The fair value of the assets given up, if the long-term equity investment is acquired through non-monetary transactions, unless a) the exchange transaction lacks commercial substance or b) the fair value of neither the asset received nor the asset given up is reliably measured; the carrying amount of the assets given up less any transaction costs and tax charges, if a) the exchange transaction lacks commercial substance or b) the fair value of neither the asset received nor the asset given up is reliably measured.
- iv) The initial investment cost is determined on the basis of fair value, if the long-term equity investment is acquired in a debt restructuring arrangement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 Long-term equity investments (Continued)

3.12.3 Subsequent measurement and recognition of related profit and loss

3.12.3.1 Subsequent measurement of cost method

Where an investor is able to exercise control over an investee, the long-term equity investment shall be accounted for using the cost method. Under the cost method, a long-term equity investment shall be measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment shall be adjusted accordingly. Cash dividends or profit distributions declared by the investee shall be recognized as investment income in the current period.

3.12.3.2 Subsequent measurement of equity method

A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method. Where the initial investment cost of a long-term equity investment exceeds an investor's interest in the fair values of an investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

After the investor has acquired a long-term equity investment, it shall recognize its share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the investor. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The investor shall recognize its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those used by the investor, the investor shall, using its own accounting policies and accounting period, adjust the relevant items of the financial statements of the investee, and recognize investment income or loss, other comprehensive income, and other related items, based on the adjusted financial statements of the investee.

The investor shall discontinue recognizing its share of the net losses of the investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero, except to the extent that the investor has incurred obligations to assume additional losses. Where the investee makes net profits subsequently, the investor shall resume recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 Long-term equity investments (Continued)

The unrealized profits or losses resulting from transactions between the investor and its associate or joint venture shall be eliminated in proportion to the investor's equity interest in the investee, based on which investment income or losses shall be recognized. Any losses resulting from transactions between the investor and the investee, which are attributable to asset impairment in accordance with "Accounting Standard for Business Enterprises No.8-Impairment of Assets" and other appropriate accounting standards shall be recognized in full.

One part of the equity investments in associates holding by risk investment institutions, mutual funds, trust companies or investment linked insurance funds or similar body's, regardless of whether the subject has a significant impact on this part of the investment, investors are in accordance with the relevant provisions of the financial policy to measure the indirect holding part of the investment at fair value and included the changes in profit and loss, and the remaining part using the equity method of accounting.

3.12.3.3 Measurement of joint control or significant influence (but not control) over an investee due to additional investment or other reasons

When an investor becomes capable of exercising joint control or significant influence(but not control) over an investee due to additional investment or other reasons, the investor shall change to the equity method and use the fair value of the previously-held equity investment determined in accordance with "Accounting Standard of Business Enterprises No.22-Financial Instruments: Recognition and Measurement", together with additional investment cost, as the initial investment cost under the equity method. Where the previously-held equity investment is classified as available-for-sale financial assets, the difference between the fair value and carrying amount and the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the equity method.

3.12.3.4 Partial disposal of equity investment

When an investor can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, the remaining equity investment shall be accounted for in accordance with "Accounting Standard for Business Enterprises No.22-Financial Instruments: Recognition and Measurement". The difference between the fair value and the carrying amount at the date of the loss of joint control or significant influence shall be charged to profit or loss for the current period. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method.

When an investor can no longer exercise control over an investee due to partial disposal of equity investment or other reasons, and with the retained interest, still has joint control of, or significant influence over, the investee, when preparing the individual financial statements, the investor shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition. If the investor can not exercise joint control of or significant influence over the investee after partial disposal of equity investment, the remaining equity investment shall be accounted for in accordance with "Accounting Standard for Business Enterprises No.22-Financial Instruments: Recognition and Measurement", and the difference between the fair value and carrying amount at the date of the loss of control shall be charged to profit or loss for the current period. The preparation of consolidated financial statements shall be performed in accordance with "Accounting Standard for Business Enterprises No.33-Consolidated Financial Statements".

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 Long-term equity investments (Continued)

3.12.3.5 Measurement of an equity investment, or a portion of an equity investment, in an associate or a joint venture that is classified as held for sale

An investor shall account for an equity investment, or a portion of an equity investment, in an associate or a joint venture that is classified as held for sale in accordance with “Accounting Standard for Business Enterprises No.4-Fixed Assets”. Any retained portion of equity investment that has not been classified as held for sale shall be accounted for using the equity method. When an equity investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

3.12.3.6 Disposal of long-term equity investment

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities on a pro-rate basis upon the disposal of the equity investment.

3.13 Investment property

Investment properties principally comprise of land use rights and buildings held for long-term rental and capital appreciation that are not occupied by the Group. Investment properties are initially recognised at cost, including transaction costs. Subsequent expenditures associated with the investment properties are capitalised when the relevant economic benefits will probably flow into the Group and costs can be reliably measured; otherwise, the subsequent expenditures will be charged into losses for the current year.

Investment properties of the Group is subsequently measured at cost less depreciation or amortization calculated based on estimated useful lives and residual values. The estimated useful lives, residual value and annual depreciation/amortization rate are shown as follows:

<u>Categories</u>	<u>Estimated useful lives</u>	<u>Residual value</u>	<u>Annual depreciation rate</u>
Buildings	30 years	10%	3%

3.14 Fixed assets

3.14.1 Recognition

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes and have useful lives more than one accounting year. Fixed asset is recognized when:

- i) It is probable that the economic benefits associated with the fixed asset will flow to the Company;
- ii) Its cost can be reliably measured.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.14 Fixed assets (Continued)

3.14.2 The categories and useful lives of fixed assets are listed as follows:

Category	Useful lives	Residual value	Annual depreciation (amortization) rate
Buildings	20-30years	10%	3-4.5%
Machinery	5-15years	10%	6-18%
Transportation vehicles	5-10years	10%	9-18%
Office and other equipments	5years	10%	18%

3.14.3 Financial lease of fixed assets based on the identification, valuation method

When the fixed assets of the company to lease with one or several of the following standards, identified as finance lease of fixed assets: (1) when the term of lease expires, the ownership of the leased asset will be transferred to the company. (2) the company has the option to purchase the leased assets, at a price which is expected to be far lower than the exercise of the right to choose the fair value of the leased asset, so at the inception of the lease can be reasonably determined the company will exercise the option. (3) Even if the ownership of the asset is not transferred, the lease term accounts for most of the service life of the leased asset. (4) The present value of the minimum lease payments at the inception of the lease, the lease beginning date is almost equal to the fair value of the leased asset. (5) The nature of the leased assets, if not for the larger renovation, the company can only use. The recorded value of financial lease fixed asset shall be the lower between the present fair value of the beginning lease date and the minimum lease payments. The minimum lease payment should be recorded in long-term payment and the difference should be recorded in unrecognized financing charges. Such direct expenses happened during the negotiation and signing of the rent contract (like Fees, legal fees, travel expenses and the stamp tax .etc) which could be attributing to the rent items should be included in the value of rent assets. Unrecognized financing charges should be amortized during the rent period using the effective interest method. The company uses consistent with its own fixed assets depreciation policy provision for depreciation of fixed assets with financing lease. To determine a reasonable obtain the ownership of the leased asset when the term of lease expires, the leased asset depreciated in the use life. Unable to determine when the term of lease expires can obtain the ownership of the leased asset during the lease period, the leased asset depreciated in the shorter one between service lives or the lease term.

3.15 Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, borrowing costs that are eligible for capitalization incurred before the assets are ready for their intended use and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use and are depreciated from the next month.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.16 Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred hereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended when the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period. For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings.

Effective interest method is used to amortise discounts or premiums related to borrowings as the adjustments to the capitalised interest cost in each reporting period.

3.17 Intangible assets

3.17.1 Valuation method, the service life and the impairment test

Intangible assets, including land use rights, patents, technical know-how and other assets acquired through BOT - Build, Operation and Transfer, are measured at cost. The intangible assets invested by the state-owned investors during the restructure of the Company are initially measured at the appraisal value approved by the state-owned assets administration bureau.

Land use rights are amortized on the straight-line basis over 50 years, the period of the land use rights. If it is impracticable to allocate the amount paid for the purchase of land use rights and buildings between the land use rights and the buildings on a reasonable basis, the entire amount is accounted for as fixed assets. The patent right is amortized on the straight-line basis over the law effectively period.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at each financial year-end and makes appropriate adjustments.

3.17.2 Internal research and development cost

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can finally create an intangible asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.17 Intangible assets (Continued)

3.17.2 Internal research and development cost (Continued)

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase is recognized as an intangible asset only if all of the following standards are met:

- i) It is technically feasible to complete the intangible asset so that it will be available for use;
- ii) Management intends to complete the intangible asset and use or sell it;
- iii) It can be demonstrated how the intangible asset will generate economic benefits;
- iv) Adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- v) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognized in income statement as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date the asset is ready for its intended use.

The carrying amount of intangible asset is reduced to the recoverable amount when the recoverable amount is less than the carrying amount.

3.18 Long-term assets impairment

Separately recognized goodwill is tested at least annually for impairment, irrespective of whether there is any indication that the asset may be impaired. Fixed assets, intangible assets with definite useful lives and investment property measured using the cost model are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. A provision for asset impairment is determined and recognized on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of CGU to which the asset belongs is determined. A CGU is the smallest group of assets that is able to generate independent cash inflows.

3.19 Long-term prepayments

Long-term prepayments comprise leasehold improvements and various other expenditures incurred but that should be allocated over the current and future periods of more than one year. Long-term prepayments are evenly amortized over their respective beneficiary period, and are presented at cost net of accumulated amortization.

Nature of Long-term prepayments	Methods	Amortization Period
Mould and others	Straight-line	3-5 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.20 Employee benefits

3.20.1 Short-term employee benefits

The company will recognize in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to the profit or loss for the current period or include the benefits in the cost of relevant asset. The occurred employee benefits should be charged to the profit or loss for the current period or include the benefits in the cost of relevant asset based on the actually incurred amount. Employee benefits which are non-monetary benefits shall be measured at fair value. Payments made by an enterprise of social security contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and union running costs and employee education costs provided in accordance with relevant requirements shall, in the accounting period in which employees provide service, be calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits and recognize relevant liabilities, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

The company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences, the additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated. The company shall recognize the related employee benefits arising from non-accumulating paid absences in the accounting period the absence occur.

The company shall recognize the related employee benefits payable under a profit-sharing plan when period in when all of the following conditions are satisfied:

- i) The company has a present legal or constructive obligation to make such payments as a result of past events;
- ii) A reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

3.20.2 Post-employment benefits

3.20.2.1 Defined contribution plans

The Company shall recognizing the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profits or loss for the period or the cost of a relevant asset. Under a defined contribution plan, when contributions are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee render the related service, the employee benefits payable shall be measured at the discounted value of all contributions.

3.20.2.2 Defined benefit plans

Accounting by an enterprise for defined benefit plan usually involves the following four steps:

- i) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed, An enterprise shall discount obligations under the defined benefit plan to determine the present value of the defined benefit plan obligations and the current service cost,

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.20 Employee benefits (Continued)

ii) When a defined benefit plan has assets, an enterprise shall recognize the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the enterprise shall measure the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the defined benefit plan or reductions in future contribution to the defined benefit plan.

iii) Determining the amount that shall be charged to the profit or loss for the current period.

iv) Determining the amount that shall be charged to other comprehensive income.

The company shall attribute benefit obligations under a defined benefit plan to periods of service provided by employees according to the formula determined by projected unit credit method, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset. When an employee's service in later years will lead to a materially higher level of benefit from the defined benefit plan than the earlier years, the company shall attribute accumulated defined benefit plan obligation on a straight-line basis to the period from the date when service by the employee first leads to company's benefit obligation under the defined plan to the date when further service by the employee will not lead to material increase in defined benefit plan obligation.

At the end of reporting period, an enterprise shall recognize the employee benefits cost arising from defined benefit plan as : service cost, net interest on the net defined benefit plan liability(asset) and changes as a result of remeasurements of the net defined benefit liability(asset).

Under a defined benefit plan, an enterprise shall recognize the past service cost as an expense for the current period at the earlier of the following dates:

i) When the plan amendment occurs

ii) When the enterprise recognize related restructuring costs or termination benefits

The company shall recognize a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

3.20.3 Termination benefits

The company which provides termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

i) When the company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal;

ii) When the company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

The company shall reasonably estimate and recognize employee benefits payable in respect of termination benefits in compliance with the terms of its employment termination plan.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.20 Employee benefits (Continued)

3.20.4 Other long-term employee benefits

When other long-term employee benefits provided by the company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits shall be accounted for in accordance with the requirements of related standard.

Except as prescribed situation, the company shall recognize and measure the net liability or net asset of other long-term employee benefits in accordance with the requirements relating to defined benefit plan of this standard. At the end of the reporting period, the company shall recognize the components of cost of employee benefits arising from other long-term employee benefits as followings:

- i) Service cost;
- ii) Net interest on the net liability or net assets of other long-term employee benefits;
- iii) Changes as the results of remeasurement of the net liability or net assets of other long-term employee benefits;

As a practical expedient, the net total of the foresaid amounts shall be recognized in profit or loss for the current period or included in the cost of a relevant asset.

If the level of long-term disability benefit depends on the length of service rendered by an employee, the company shall recognize a long-term disability benefit obligation in the period when the service is rendered. If the level of long-term disability benefit does not relate to the years of service provided by the employee, the company shall recognize the long-term disability benefit obligation when an event occurs that causes a long-term disability.

3.21 Provisions

Provisions for product warranties and loss contracts are recognized when the Company has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. Provisions are not recognized for future operating losses.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash flows.

Provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.22 Revenue recognition

The amount of revenue shall be determined according to the fair value of the contract or agreement price received or receivable when the company sells goods and provides services in its daily business activities. Revenues are presented net of VAT, business discounts, sales allowances and sales returns.

When the economic benefits related to the transaction can flow into the company, the relevant revenue can be reliably measured and meet the specific revenue recognition standards of the following business activities, the relevant revenue shall be recognized.

3.22.1 Sales of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the company and the relevant revenue and costs can be measured reliably.

The company's products include float glass, construction processed glass, auto processed glass. The company will deliver goods to the place of delivery in accordance with the contract, and confirm revenue when the goods are received by the buyer.

3.22.2 Rendering of services

Services provided started and finished in the same accounting year, the revenue need to be recognized when the services been rendered and the full payment or payment evidence has been received; the services started and finished in the difference accounting period, when the total revenue of the contract and the degree of the services complement could be reliably determined, the trade related cost and the cost would happened could be forecast, recognize revenue according to percentage of completion method; the result of long-term contract could be reasonably be expected, recognize revenue according to the checkout completion percentage method.

3.22.3 Transfer of asset use rights

The interest income and income of use rights from the transfer of asset use rights are recognized when the economic benefits related to the transaction can flow into the Company and the amount of income can be measured reliably.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.23 Government grant

Government grant refers to monetary and non-monetary assets obtained by the Group from government, but it does not include capital injection from government as an investor. Government grant can be classified into grants related to assets or grants related to income. Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets.

Government grant in the form of monetary assets is measured at assets that will be received. Government grant in the form of non-monetary assets is measured at fair value. If fair value cannot be measured reliably, non-monetary grant is measured at its nominal value.

3.23.1 Grants related to assets

Grants related to assets are recognised as deferred income initially. And the deferred income is subsequently recognised into in profit or loss on a systemic basis over the useful life of the assets. Grants measured at their nominal value are recognised into profit or loss immediately when they become receivable. If the assets are sold, transferred, disposed or damaged before the end of their useful lives, the unamortised deferred credits are recognised into profit or loss immediately.

3.23.2 Grants related to income

Grants in return for future compliance with certain conditions shall be recognised as deferred income when they become receivable and recognised into profit or loss over the period in which the Group recognises as expenses the related costs for which the grants are intended to compensate; A government grant that becomes receivable as compensation for expenses or losses already incurred shall be recognised into profit or loss for the period when it becomes receivable.

3.23.3 Combined grants

Combined grants related to both assets and income should be separated, with two components being dealt with separately. If it is impractical to separate combined grants into components related to assets and components related to income, the entire combined grants should be treated as grants related to income.

3.23.4 Presentation of government grants in the income statement

Given the economic substance, grants that are closely related to operating activities of the Group are presented as other income. Grants that are not related to operating activities of the Group are presented as non-operating income.

3.23.5 Repayment of government grants

Repayment of government grants is accounted for in the following way when they become payable. If there are unamortised deferred credits, repayment of grants shall be applied first against any unamortised deferred credits. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.23 Government grant (Continued)

3.23.6 Policy discount loans

The finance will allocate the discounted funds to the loan bank. If the loan bank provides loans to the enterprise at a policy preferential interest rate, it will be treated in accordance with following methods:

The actual amount of received loan is taken as the book value of the loan, and the cost of the loan is calculated according to the principal of the loan and the policy preferential interest rate.

3.24 Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax base of assets and liabilities and their carrying amount (including taxable temporary differences and deductible temporary differences). The deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law are also taken as deductible temporary differences. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

3.25 Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

3.25.1 Operating lease

Lease payments paid or payable under an operating lease are capitalized or recognized in profit or loss for the current period using a straight-line basis.

3.25.2 Finance lease

At the commencement of the lease term, the Company records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.26 Goodwill

On acquisition of the investment, any difference between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. For business combination of entities not under common controls, the excess of the cost of acquisition over the Company's share of the fair value of the identifiable net assets acquired is recorded as goodwill.

Goodwill is presented separately on the face of the consolidated financial statements. The excess of the cost of the investment over the Company's share of the fair value of the associate's and joint venture's identifiable assets and liabilities is included in the cost of long-term equity investment.

3.27 Changes in significant accounting policies and Accounting estimates

3.27.1 Changes in significant accounting policies

Description of changes in accounting policies	Management approval	Notes (showing accounts affected and its impact)
According to Ministry of Finance ("MOF")'s notice on issuing the rules for the presentation of general purpose financial statements (Caikuai [2019] No.6) and the rules for the consolidation financial statements (Caikuai [2019]NO.16), the Group changed the presentation of financial statements.	Approved by the 10th meeting of the 9th session of the board of directors.	"Notes receivable and accounts receivable" are listed as "notes receivable" and "accounts receivable". The current balance of notes receivable is RMB132,904,061.42, and the previous balance is RMB457,241,078.72; the current balance of accounts receivable is RMB452,036,770.32 and the previous balance is RMB469,932,717.44. "Notes payable and accounts payable" are listed as "notes payable" and "accounts payable". The current balance of notes payable is RMB439,212,060.32, and the previous balance is RMB475,794,861.94; the current balance of accounts payable is RMB629,219,105.18, and the previous balance is RMB666,203,282.22.
According to "Accounting Standard for Business Enterprises No. 22 Financial Instruments: Recognition and Measurement" and related new financial instruments standards, issued by the MOF in 2017, the Group has implemented the standards mentioned above and changed the presentation of financial statements since Jan. 1 st ,2019.	Approved by the 7th meeting of the 9th session of the board of directors.	Please refer to 3.27.3 for information of the adjustment of the relevant items in the financial statements at the beginning of the year that first implement the new financial instruments standard.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Changes in significant accounting policies and Accounting estimates (Continued)

3.27.1 Changes in significant accounting policies (Continued)

The new financial instruments standard divides financial assets into three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit and loss. On the first implementation date of the new standard of financial instrument, the Company reclassified the financial assets based on the business model of managing financial assets and the contractual cash flow characteristics of the asset. The new financial instrument standard replaces the "incurred loss method" in the original financial instrument standard with the "expected credit loss method". In accordance with the relevant provisions of the new financial instruments standards, the company made the following adjustments to financial instruments on the date of implementation of the standards:

1. The Company reclassified equity investments classified as available-for-sale financial assets in previous years into financial assets measured at fair value through profit or loss (financial assets held for trading or other non-current financial assets) and financial assets irrevocably designated as a category measured at fair value through other comprehensive income (other equity instrument investments).
2. The Company has assessed the impairment of financial instruments according to the "Expected credit loss method". After the Company's assessment, the expected credit loss method required by the new financial instrument standards has no significant impact for the amounts listed in this year's consolidation and company financial statements or disclosure.

For the impact of the implementation of the new financial instrument standards on the consolidation and company financial statements on the January 1st, 2019, please refer to 3.27.3.

3.27.2 Changes in significant accounting estimates

None during the reporting period.

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Changes in significant accounting policies and Accounting estimates (Continued)

3.27.3 Adjustment for first implementation of new financial instrument standards

The consolidation balance sheet

Item	December 31 st , 2018	January 1 st , 2019	Adjustment
Current assets			
Cash and cash equivalents	708,772,919.83	458,772,919.83	-250,000,000.00
Financial assets held for trading	Not applicable	78,007,766.40	78,007,766.40
Financial assets measured at fair value through profit and loss	-	Not applicable	-
Derivative financial assets	-	-	-
Notes receivable	457,241,078.72	191,070,975.62	-266,170,103.10
Accounts receivable	469,932,717.44	469,932,717.44	-
Receivable under financing	-	263,826,193.53	263,826,193.53
Advances to suppliers	124,730,924.34	124,730,924.34	-
Other receivables	11,696,318.12	11,696,318.12	-
Including: Interest receivable	-	-	-
Dividends receivable	-	-	-
Inventories	1,072,954,477.14	1,072,954,477.14	-
Assets held for trade	-	-	-
Non-current assets due within 1 year	-	-	-
Other current assets	186,920,354.72	376,920,354.72	190,000,000.00
Total current assets	3,032,248,790.31	3,047,912,647.14	15,663,856.83
Non-current assets			
Debt investment	Not applicable	-	-
Available-for-sales financial assets	18,007,766.40	Not applicable	-18,007,766.40
Other debt investment	Not applicable	-	-
Held-to-maturity investments	-	Not applicable	-
Long-term receivables	-	-	-
Long-term equity investments	-	-	-
Investment in other equity instrument	Not applicable	-	-
Other non-current financial assets	Not applicable	-	-
Investment properties	69,521,598.71	69,521,598.71	-
Fixed assets	3,458,514,755.66	3,458,514,755.66	-
Construction in progress	189,933,801.67	189,933,801.67	-
Productive biological assets	-	-	-
Oil and gas assets	-	-	-
Intangible assets	430,350,374.66	430,350,374.66	-
Development expenditures	800,275.10	800,275.10	-
Goodwill	-	-	-
Long-term prepayments	83,175,507.61	83,175,507.61	-
Deferred income tax assets	11,413,776.58	11,478,396.87	64,620.29
Other non-current assets	-	-	-
Total non-current assets	4,261,717,856.39	4,243,774,710.28	-17,943,146.11
TOTAL ASSETS	7,293,966,646.70	7,291,687,357.42	-2,279,289.28

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(All amounts in Rmb Yuan unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Changes in significant accounting policies and Accounting estimates (Continued)

3.27.3 Adjustment for first implementation of new financial instrument standards (Continued)

The consolidation balance sheet (Continued)

Item	December 31 st , 2018	January 1 st , 2019	Adjustment
Current Liabilities			
Short-term borrowings	1,202,000,000.00	1,203,596,437.62	1,596,437.62
Financial liabilities held for trading	Not applicable	Not applicable	-
Financial liabilities measured at fair value through profit and loss	-	-	-
Derivative financial liabilities	-	-	-
Notes payable	475,794,861.94	475,794,861.94	-
Accounts payable	666,203,282.22	666,203,282.22	-
Advances from customers	142,852,143.35	142,852,143.35	-
Employee benefits payable	75,786,762.23	75,786,762.23	-
Taxes and surcharges payable	15,597,665.26	15,597,665.26	-
Other payables	218,236,186.44	216,442,521.87	-1,793,664.57
Including: Interest payable	1,793,664.57	-	-1,793,664.57
Dividends payable	-	-	-
Liabilities held for sale	-	-	-
Non-current liabilities due within 1 year	32,844,586.42	32,891,006.22	46,419.80
Other current liabilities	-	-	-
Total current liabilities	2,829,315,487.86	2,829,164,680.71	-150,807.15
Non-current liabilities			
Long-term borrowings	102,796,666.66	102,947,473.81	150,807.15
Bonds payable	-	-	-
Including: Preferred stock	-	-	-
Sustainable debt	-	-	-
Long-term payables	90,496,782.56	90,496,782.56	-
Long-term employee benefits payable	-	-	-
Contingent liabilities	-	-	-
Deferred revenue	569,133,474.65	569,133,474.65	-
Deferred income tax liabilities	5,383,213.86	5,383,213.86	-
Other non-current liabilities	-	-	-
Total non-current liabilities	767,810,137.73	767,960,944.88	150,807.15
Total liabilities	3,597,125,625.59	3,597,125,625.59	-
Owner's equity			
Paid-in capital	934,916,069.00	934,916,069.00	-
Other equity instruments	-	-	-
Including: Preferred stock	-	-	-
Sustainable debt	-	-	-
Capital reserves	1,129,842,709.38	1,129,842,709.38	-
Less: Treasury stocks	-	-	-
Other comprehensive income	-12,670,868.57	-12,670,868.57	-
Special reserve	-	-	-
Surplus reserve	492,204,268.27	492,204,268.27	-
Undistributed profits	539,253,140.08	537,041,492.80	-2,211,647.28
Total equity attribute to equity holders of the Group	3,083,545,318.16	3,081,333,670.88	-2,211,647.28
Minority interest	613,295,702.95	613,228,060.95	-67,642.00
Total owner's equity	3,696,841,021.11	3,694,561,731.83	-2,279,289.28
TOTAL LIABILITIES AND OWNER'S EQUITY	7,293,966,646.70	7,291,687,357.42	-2,279,289.28

Description of adjustments: Please refer to 3.27.1 Changes in significant accounting policies.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Changes in significant accounting policies and Accounting estimates (Continued)

3.27.3 Adjustment for first implementation of new financial instrument standards (Continued)

The company balance sheet

Item	December 31 st , 2018	January 1 st , 2019	Adjustment
Current assets			
Cash and cash equivalents	411,380,112.93	161,380,112.93	-250,000,000.00
Financial assets held for trading	Not applicable	60,000,000.00	60,000,000.00
Financial assets measured at fair value through profit and loss	-	Not applicable	-
Derivative financial assets	-	-	-
Notes receivable	1,247,244.01	-	-1,247,244.01
Accounts receivable	8,213,760.16	8,213,760.16	-
Receivable under financing	-	1,247,244.01	1,247,244.01
Advances to suppliers	1,300,206.69	1,300,206.69	-
Other receivables	492,682,090.30	491,336,805.67	-1,345,284.63
Including: Interest receivable	1,345,284.63	-	-1,345,284.63
Dividends receivable	106,813,456.25	106,813,456.25	-
Inventories	-	-	-
Assets held for trade	-	-	-
Non-current assets due within 1 year	610,000,000.00	610,810,791.63	810,791.63
Other current assets	430,000,000.00	620,358,874.94	190,358,874.94
Total current assets	1,954,823,414.09	1,954,647,796.03	-175,618.06
Non-current assets			
Debt investment	Not applicable	-	-
Available-for-sales financial assets	-	Not applicable	-
Other debt investment	Not applicable	-	-
Held-to-maturity investments	-	Not applicable	-
Long-term receivables	90,000,000.00	90,000,000.00	-
Long-term equity investments	2,008,879,937.25	2,008,879,937.25	-
Investment in other equity instrument	Not applicable	-	-
Other non-current financial assets	Not applicable	-	-
Investment properties	39,397,558.32	39,397,558.32	-
Fixed assets	334,853,340.82	334,853,340.82	-
Construction in progress	-	-	-
Productive biological assets	-	-	-
Oil and gas assets	-	-	-
Intangible assets	74,120,699.63	74,120,699.63	-
Development expenditures	800,275.10	800,275.10	-
Goodwill	-	-	-
Long-term prepayments	-	-	-
Deferred income tax assets	-	-	-
Other non-current assets	110,000,000.00	110,175,618.06	175,618.06
Total non-current assets	2,658,051,811.12	2,658,227,429.18	175,618.06
TOTAL ASSETS	4,612,875,225.21	4,612,875,225.21	-

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Changes in significant accounting policies and Accounting estimates (Continued)

3.27.3 Adjustment for first implementation of new financial instrument standards (Continued)

The company balance sheet (Continued)

Item	December 31 st , 2018	January 1 st , 2019	Adjustment
Current Liabilities			
Short-term borrowings	1,000,000,000.00	1,001,310,558.35	1,310,558.35
Financial liabilities held for trading	Not applicable	-	-
Financial liabilities measured at fair value through profit and loss	-	Not applicable	-
Derivative financial liabilities	-	-	-
Notes payable	-	-	-
Accounts payable	6,207,690.68	6,207,690.68	-
Advances from customers	4,199,930.56	4,199,930.56	-
Employee benefits payable	35,931,863.18	35,931,863.18	-
Taxes and surcharges payable	1,115,745.35	1,115,745.35	-
Other payables	261,071,856.11	259,761,297.76	-1,310,558.35
Including: Interest payable	1,310,558.35	-	-1,310,558.35
Dividends payable	-	-	-
Liabilities held for sale	-	-	-
Non-current liabilities due within 1 year	-	-	-
Other current liabilities	-	-	-
Total current liabilities	1,308,527,085.88	1,308,527,085.88	-
Non-current liabilities			
Long-term borrowings	-	-	-
Bonds payable	-	-	-
Including: Preferred stock	-	-	-
Sustainable debt	-	-	-
Long-term payables	-	-	-
Long-term employee benefits payable	-	-	-
Contingent liabilities	-	-	-
Deferred revenue	436,792,411.68	436,792,411.68	-
Deferred income tax liabilities	-	-	-
Other non-current liabilities	-	-	-
Total non-current liabilities	436,792,411.68	436,792,411.68	-
Total liabilities	1,745,319,497.56	1,745,319,497.56	-
Owner's equity			
Paid-in capital	934,916,069.00	934,916,069.00	-
Other equity instruments	-	-	-
Including: Preferred stock	-	-	-
Sustainable debt	-	-	-
Capital reserves	1,101,403,381.86	1,101,403,381.86	-
Less: Treasury stocks	-	-	-
Other comprehensive income	-12,670,868.57	-12,670,868.57	-
Special reserve	-	-	-
Surplus reserve	492,204,268.27	492,204,268.27	-
Undistributed profits	351,702,877.09	351,702,877.09	-
Total owner's equity	2,867,555,727.65	2,867,555,727.65	-
TOTAL LIABILITIES AND OWNER'S EQUITY	4,612,875,225.21	4,612,875,225.21	-

Description of adjustments: Please refer to 3.27.1 Changes in significant accounting policies.

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Changes in significant accounting policies and Accounting estimates (Continued)

3.27.4 Description of retrospective adjustment of previous comparative data for the first implementation of the new financial instrument standards

3.27.4.1 The comparison table of classification and measurement of financial assets before and after the implementation of the new financial instruments standards on January 1st, 2019.

A. The consolidation balance sheet

December 31 st , 2018 (applicable with original standard)			January 1 st , 2019 (applicable with updated standard)		
Item	Measurement	Book balance	Item	Measurement	Book balance
Other monetary funds	Amortized cost	250,000,000.00	Other current assets	Amortized cost	250,000,000.00
Notes receivable	Amortized cost	457,241,078.72	Notes receivable	Amortized cost	191,070,975.62
			Accounts receivable under financing	FVOCI	263,826,193.53
Accounts receivable	Amortized cost	469,932,717.44	Accounts receivable	Amortized cost	469,932,717.44
Other receivables	Amortized cost	11,696,318.12	Other receivables	Amortized cost	11,696,318.12
Other current assets	Amortized cost	160,000,000.00	Financial assets held for trading	FVTPL	60,000,000.00
			Other current assets	Amortized cost	100,000,000.00
Available-for-sales financial assets	FVOCI	18,007,766.40	Financial assets held for trading	FVTPL	18,007,766.40
Short-term borrowings	Amortized cost	1,202,000,000.00	Short-term borrowings	Amortized cost	1,203,596,437.62
Other payables	Amortized cost	218,236,186.44	Other payables	Amortized cost	216,442,521.87
Non-current liabilities due within 1 year	Amortized cost	32,844,586.42	Non-current liabilities due within 1 year	Amortized cost	32,891,006.22
Long-term borrowings	Amortized cost	102,796,666.66	Long-term borrowings	Amortized cost	102,947,473.81

B. The company balance sheet

December 31 st , 2018 (applicable with original standard)			January 1 st , 2019 (applicable with updated standard)		
Item	Measurement	Book balance	Item	Measurement	Book balance
Other monetary funds	Amortized cost	250,000,000.00	Other current assets	Amortized cost	250,000,000.00
Notes receivable	Amortized cost	1,247,244.01	Accounts receivable under financing	FVOCI	1,247,244.01
Accounts receivable	Amortized cost	8,213,760.16	Accounts receivable	Amortized cost	8,213,760.16
Other receivables	Amortized cost	492,682,090.30	Other receivables	Amortized cost	491,336,805.67
Non-current assets due within 1 year	Amortized cost	610,000,000.00	Non-current assets due within 1 year	Amortized cost	610,810,791.63
Other current assets	Amortized cost	430,000,000.00	Financial assets held for trading	FVTPL	60,000,000.00
			Other current assets	Amortized cost	370,358,874.94
Other non-current assets	Amortized cost	110,000,000.00	Other non-current assets	Amortized cost	110,175,618.06
Short-term borrowings	Amortized cost	1,000,000,000.00	Short-term borrowings	Amortized cost	1,001,310,558.35
Other payables	Amortized cost	261,071,856.11	Other payables	Amortized cost	259,761,297.76

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Changes in significant accounting policies and Accounting estimates (Continued)

3.27.4 Description of retrospective adjustment of previous comparative data for the first implementation of the new financial instrument standards (Continued)

3.27.4.2 The adjustments of provision for impairment of the financial instrument for the implementation of the new financial instruments standards on January 1st, 2019.

A. The consolidation balance sheet

Measurement	Provision for impairment on Dec. 31 st , 2018 (applicable with original standard)	Reclassification	Remeasurement	Provision for impairment on Jan. 1 st , 2019 (applicable with updated standard)
(I) Financial assets measured at amortized cost	70,222,969.03	-	2,343,909.57	72,566,878.60
Including: Notes receivable	-	-	2,343,909.57	2,343,909.57
Accounts receivable	38,987,513.71	-	-	38,987,513.71
Other receivables	31,235,455.32	-	-	31,235,455.32
(II) Financial assets measured at FVTPL	31,992,105.60	-	-	31,992,105.60
Available-for-sales financial assets	31,992,105.60	-31,992,105.60	-	-
Financial assets held for trading	-	31,992,105.60	-	31,992,105.60

B. The company balance sheet

Measurement	Provision for impairment on Dec. 31 st , 2018 (applicable with original standard)	Reclassification	Remeasurement	Provision for impairment on Jan. 1 st , 2019 (applicable with updated standard)
(I) Financial assets measured at amortized cost	14,202,013.05	-	-	14,202,013.05
Including: Notes receivable	-	-	-	-
Accounts receivable	13,736,319.31	-	-	13,736,319.31
Other receivables	465,693.74	-	-	465,693.74

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
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4 TAXATION

4.1 The major types and rates of taxes applicable to the Company during the current year are set out below

Type	Taxable basis	Tax rate
Value-added tax ("VAT")	Taxable value-added amount	16%、13%
Urban construction tax	Total VAT and business tax	As required by the local tax regulations where the Company and its subsidiaries are located
Corporate income tax	Taxable income	Note 2

Note 1: The company shall pay value-added tax according to the added value of producing and selling goods or providing services. According to the government announcement released on April 1st, 2019, for companies subjected to the tax rate of 16%, the tax rate has been adjusted to 13%.

Note 2: The applied income tax rate and tax incentives of the Company and its subsidiaries are summarized as follow:

Company Name	Statutory tax rate	Applied tax rate	Tax incentive program
SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.	25%	25%	No tax incentive program
Shanghai SYP Building Glass Co., Ltd.	25%	25%	No tax incentive program
Guangdong SYP Glass Co., Ltd.	25%	25%	No tax incentive program
Shanghai SYP Engineering Glass Co., Ltd.	25%	15%	Tax incentive for high-tech enterprises whose applicable tax rate is 15%
Tianjin SYP Engineering Glass Co., Ltd.	25%	15%	Tax incentive for high-tech enterprises whose applicable tax rate is 15%
Tianjin SYP Glass Co., Ltd.	25%	25%	No tax incentive program
Changshu SYP Special Glass Co., Ltd.	25%	25%	No tax incentive program
Jiangsu Pilkington SYP Glass Co., Ltd.	25%	25%	No tax incentive program
Jiangsu Huadong SYP Glass Co., Ltd.	25%	15%	Tax incentive for high-tech enterprises whose applicable tax rate is 15%
Jiangmen SYP Engineering Glass Co., Ltd.	25%	15%	Tax incentive for high-tech enterprises whose applicable tax rate is 15%
Glasslink Limited	16.5%	16.5%	16.5% pursuant to Hongkong tax regulations with no tax incentive program.
Chongqing SYP Engineering Glass Co., Ltd.	25%	15%	Tax incentive for west development whose applicable tax rate is 15%
Shanghai SYP Kangqiao Auto Glass Co., Ltd.	25%	15%	Tax incentive for high-tech enterprises whose applicable tax rate is 15%
Wuhan SYP Kangqiao Auto Glass Co., Ltd.	25%	15%	Tax incentive for high-tech enterprises whose applicable tax rate is 15%
Yizheng SYP Auto Glass Co., Ltd.	25%	15%	Tax incentive for high-tech enterprises whose applicable tax rate is 15%
Shanghai SYP Shijin Paste Glass Co., Ltd.	25%	25%	No tax incentive program
Shanghai SYP Investment Co., Ltd.	25%	25%	No tax incentive program
Changshu SYP Auto Glass CO., LTD.	25%	25%	No tax incentive program
Tianjin SYP Auto Glass CO., LTD.	25%	25%	No tax incentive program

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and cash equivalents

5.1.1 Cash and cash equivalents by category

Item	December 31 st , 2019	December 31 st , 2018
Cash on hand	-	-
Bank deposits	458,682,631.48	361,989,393.61
Other monetary funds	107,597,174.47	346,783,526.22
Total	566,279,805.95	708,772,919.83
Including: the total deposits abroad	20,148,123.03	20,090,216.27

5.1.2 The bank deposits above at the end of the period included USD 11,329,191.28, which was converted to RMB 79,034,704.22 according to the exchange rate of 6.9762; EUR 6,027.41, which was converted to RMB 47,107.22 according to the exchange rate of 7.8155; HKD 1,507,512.16, which was converted into RMB 1,350,399.24 at the exchange rate of 0.89578; GBP 4,451,772.97, which is converted into RMB 40,734,167.85 according to the exchange rate of 9.1501; AUD 21,465.63, which is converted into RMB 104,844.58 according to the exchange rate of 4.8843.

5.1.3 Other restricted cash

Item	December 31 st , 2019	December 31 st , 2018
Deposits for bank acceptance	95,261,487.58	78,664,654.39
Performance bond	7,927,729.34	1,036,714.90
Structured deposit	-	250,000,000.00
Others	4,407,957.55	17,082,156.93
Total	107,597,174.47	346,783,526.22

5.2 Financial assets held for trading

Item	December 31 st , 2019
Fair value through profit and loss (FVTPL)	261,000,000.00
Including: Investment in creditor's rights instruments	-
Investment in equity instruments	-
Financial products	261,000,000.00
Designated as at FVTPL	-
Including: Investment in creditor's rights instruments	-
Investment in equity instruments	-
Others	-
Total	261,000,000.00

Note: The financial products above are the non guaranteed floating income financial products purchased by the company in the bank.

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.3 Notes receivable

5.3.1 Notes receivable by category

Item	December 31 st , 2019	December 31 st , 2018
Bank acceptance bills	-	263,826,193.53
Commercial acceptance bills	134,927,981.14	193,414,885.19
Less: Provision for bad debts	2,023,919.72	-
Net value of notes receivable	132,904,061.42	457,241,078.72

5.3.2 Classified according to methods of provision of bad debt

Item	December 31 st , 2019					December 31 st , 2018				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	Proportions (%)	Amount	Proportions (%)		Amount	Proportions (%)	Amount	Proportions (%)	
Individually significant and provided for bad debts separately	-	-	-	-	-	-	-	-	-	-
Provided for bad debts collectively										
Portfolio 1	134,927,981.14	100.00	2,023,919.72	1.50	132,904,061.42	193,414,885.19	42.30	-	-	193,414,885.19
Portfolio 2	-	-	-	-	-	-	-	-	-	-
Portfolio 3	-	-	-	-	-	263,826,193.53	57.70	-	-	263,826,193.53
Total	134,927,981.14	100.00	2,023,919.72	1.50	132,904,061.42	457,241,078.72	100.00	-	-	457,241,078.72

5.3.3 Classified disclosure by method of provision for bad debts:

Portfolio 1: Amount of commercial acceptance bills out of the scope of consolidation

Item	December 31 st , 2019		
	Acceptance bills	Bad debt provision	Proportions(%)
Portfolio 1	134,927,981.14	2,023,919.72	1.50

5.3.4 Provision for bad debts

Item	December 31 st , 2018	Adjustment according to new standard implemented on January 1 st , 2019	Changes during the reporting period			December 31 st , 2019
			Provision	Recover	Reversal	
Portfolio 1	-	2,343,909.57	-	319,989.85	-	2,023,919.72

5.3.5 There is no acceptance bill reversal during this reporting period.

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Notes for the Financial Statements of 2019
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 Accounts receivable

5.4.1 The aging analysis is as follows

Aging	December 31 st , 2019
Within 1 year	436,184,526.94
Over 1 year but within 2 years	22,391,033.94
Over 2 years but within 3 years	3,599,194.69
Over 3 years but within 4 years	4,730,860.50
Over 4 years but within 5 years	3,821,174.60
Over 5 years	26,579,575.62
Sub-total	497,306,366.29
Less: Provision for bad debts	45,269,595.97
Total	452,036,770.32

5.4.2 Classified disclosure by method of provision for bad debts:

Item	December 31 st , 2019				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Proportions (%)	Amount	Proportions (%)	
Provided for bad debts separately	15,194,675.04	3.06	14,121,460.52	92.94	1,073,214.52
Provided for bad debts collectively	482,111,691.25	96.94	31,148,135.45	6.46	450,963,555.80
Including:					
Classified by aging	482,111,691.25	96.94	31,148,135.45	6.46	450,963,555.80
Total	497,306,366.29	100.00	45,269,595.97	9.10	452,036,770.32

Item	December 31 st , 2018				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Proportions (%)	Amount	Proportions (%)	
Individually significant and provided for bad debts separately	-	-	-	-	-
Provided for bad debts according to credit risk	499,428,903.56	98.14	29,496,186.12	5.91	469,932,717.44
Individually insignificant and provided for bad debts separately	9,491,327.59	1.86	9,491,327.59	100.00	-
Total	508,920,231.15	100.00	38,987,513.71	7.66	469,932,717.44

Provision for bad debts separately:

Item	December 31 st , 2019			Reason
	Book balance	Rate of expected credit loss	Bad debt provision	
Accounts receivable individually insignificant	15,194,675.04	92.94%	14,121,460.52	Uncollectible
Total	15,194,675.04	92.94%	14,121,460.52	

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 Accounts receivable (Continued)

Provision for bad debts collectively: Classified by aging

Item	December 31 st , 2019		
	Book balance	Rate of expected credit loss	Bad debt provision
Within 1 year (inclusive)	435,084,712.14	1.50%	6,526,270.68
Over 1 year but within 3 years (inclusive)	23,250,440.20	9.32%	2,168,080.25
Over 3 years	23,776,538.91	94.44%	22,453,784.52
Total	482,111,691.25	6.46%	31,148,135.45

The company always measures the bad debt provision for the accounts receivable according to the expected credit loss in the whole duration. The expected credit loss rate in the whole duration is calculated based on the historical actual credit loss experience, and takes into account the economic status during the historical data collection period, the current economic status and the economic status in the expected duration.

5.4.3 Provision for the bad debts

Item	December 31 st , 2018	Changes during the reporting period			December 31 st , 2019
		Provision	Recover	Reversal	
Provided for bad debts collectively	29,496,186.12	1,651,949.33	-	-	31,148,135.45
Provided for bad debts separately	9,491,327.59	4,650,315.78	20,182.85	-	14,121,460.52
Total	38,987,513.71	6,302,265.11	20,182.85	-	45,269,595.97

5.4.4 The amount of recover is RMB 20,182.85 during this period.

5.4.5 There is no accounts receivable that should be reversal in this period.

5.4.6 Five largest accounts receivable by debtor at the end of the year

Item	Book balance	Proportions (%)	Provision for bad debts
Gross amount of five largest accounts receivable	110,897,122.29	22.30	4,737,067.97

5.5 Receivable under financing

Item	December 31 st , 2019
Bank acceptance bills	349,522,984.45

5.5.1 The company and its subsidiaries, considering their daily needs on capital management, categorize these bills receivables of fair value through other comprehensive income ("FVTOCI").

5.5.2 The amount of bank acceptance bills pledged at the end of the period was RMB 67,641,924.66, which was used for issuing bills payable by the subsidiary of the Company to ensure daily capital turnover.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Advances to suppliers

5.6.1 The aging analysis is as follows

Aging	December 31 st , 2019		December 31 st , 2018	
	Amount	Proportions (%)	Amount	Proportions (%)
Within 1 year	71,314,405.26	84.54	118,647,710.66	95.12
1-2 years	11,047,390.33	13.09	4,767,384.70	3.82
2-3 years	1,411,277.45	1.67	1,069,768.25	0.86
Over 3 years	594,446.69	0.70	246,060.73	0.20
Total	84,367,519.73	100.00	124,730,924.34	100.00

5.6.2 Significant advances to suppliers aging more than one year

Supplier's name	Relationship	Amount	Aging	Reasons
Supplier A	Supplier	3,946,927.88	1-2 years	The contract has not been completed
Supplier B	Supplier	1,831,027.20	1-2 years	The contract has not been completed
Supplier C	Supplier	1,275,000.00	1-2 years	The contract has not been completed

5.6.3 Five largest advances by suppliers at the end of the year

Item	Book balance	Proportions (%)	Provision for bad debts
Gross amount of five largest advances	20,859,157.19	24.72	-

5.7 Other receivables

5.7.1 Other receivables

Item	December 31 st , 2019	December 31 st , 2018
Interest receivable	-	-
Dividends receivable	-	-
Other receivables	12,129,903.95	11,696,318.12
Total	12,129,903.95	11,696,318.12

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.7 Other receivables (Continued)

5.7.2 Other receivables by category

5.7.2.1 The aging analysis is as follows

Aging	December 31 st , 2019
Within 6 months	9,069,022.09
7-12 months	1,713,231.13
1-2 years	1,286,437.58
2-3 years	159,801.88
3-4 years	1,004,534.67
4-5 years	467,215.00
Over 5 years	29,657,580.55
Sub-total	43,357,822.90
Less: provision for bad debts	31,227,918.95
Total	12,129,903.95

5.7.2.2 Classified by nature

Nature of other receivables	December 31 st , 2019	December 31 st , 2018
Deposits	2,174,884.87	2,028,607.83
Exchanges between companies	38,444,957.16	35,823,446.12
Petty cash	2,470,716.97	4,715,851.15
Others	267,263.90	363,868.34
Sub-total	43,357,822.90	42,931,773.44
Less: provision for bad debts	31,227,918.95	31,235,455.32
Total	12,129,903.95	11,696,318.12

5.7.2.3 Changes in provision for bad debts:

Provision for bad debts	First stage	Second stage	Third stage	Total
	ECL for next 12 months	Lifetime ECL- no credit impairment	Lifetime ECL- credit impairment occurred	
January 1 st , 2019	1,621,175.95	-	29,614,279.37	31,235,455.32
January 1 st , 2019 (Changes)	-	-	-	-
-transfer to the second stage	-	-	-	-
-transfer to the third stage	-	-	-	-
-turn back to the second stage	-	-	-	-
-turn back to the first stage	-	-	-	-
Provision	-	-	-	-
Reversal	7,536.37	-	-	7,536.37
Written off	-	-	-	-
Others	-	-	-	-
December 31 st , 2019	1,613,639.58	-	29,614,279.37	31,227,918.95

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.7 Other receivables (Continued)

On December 31st, 2019, the bad debt provision analysis of other receivables on the third stage is as follows:

Provided for bad debts separately	Book balance	Rate of lifetime ECL (%)	Provision for bad debts	Reasons
A company	16,720,362.20	100.00	16,720,362.20	Uncollectible
A company	12,089,114.66	100.00	12,089,114.66	Uncollectible
A company	675,241.86	100.00	675,241.86	Uncollectible
A company	94,062.31	100.00	94,062.31	Uncollectible
A company	27,635.34	100.00	27,635.34	Uncollectible
A company	7,863.00	100.00	7,863.00	Uncollectible
Total	29,614,279.37	100.00	29,614,279.37	

5.7.2.4 There is recover provision of bad debt in this period of RMB 7,536.37.

5.7.2.5 There is no other receivables that should be reversal in this period.

5.7.2.6 Five largest other receivables by debtor at the end of the year

Customer's name	Nature of other receivables	Amount	Aging	Proportion to gross amount of other receivables	Provision for bad debts
Customer A	Exchanges between companies	16,720,362.20	Over 5 years	38.56%	16,720,362.20
Customer B	Exchanges between companies	12,089,114.66	Over 5 years	27.88%	12,089,114.66
Customer C	Exchanges between companies	2,856,637.68	1-6 months	6.59%	57,132.75
Customer D	Exchanges between companies	2,374,259.12	1-6 months	5.48%	47,485.18
Customer E	Exchanges between companies	1,394,798.61	1-6 months	3.22%	27,895.97
Total		35,435,172.27		81.73%	28,941,990.76

5.8 Inventories

5.8.1 Inventories by category:

Item	December 31 st , 2019			December 31 st , 2018		
	Book balance	Provision for impairment of inventories	Carrying amount	Book balance	Provision for impairment of inventories	Carrying amount
Raw material	341,534,207.04	24,387,141.84	317,147,065.20	349,159,110.90	21,099,297.00	328,059,813.90
Packaging material	1,138,806.10	-	1,138,806.10	1,276,785.95	-	1,276,785.95
Low-value consumables	5,297,157.59	1,336,977.24	3,960,180.35	7,050,961.84	1,336,977.24	5,713,984.60
Finished goods	530,122,541.17	69,611,042.10	460,511,499.07	614,077,602.39	52,618,072.96	561,459,529.43
Work-in-progress	189,906,623.05	-	189,906,623.05	176,444,363.26	-	176,444,363.26
Total	1,067,999,334.95	95,335,161.18	972,664,173.77	1,148,008,824.34	75,054,347.20	1,072,954,477.14

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.8 Inventories (Continued)

5.8.2 Provision for impairment of inventories

Item	December 31 st , 2018	Addition		Decrease		December 31 st , 2019
		Provisions for the year	Others	Write offs for the year	Reversals for the year	
Raw material	21,099,297.00	4,142,931.57	-	855,086.73	-	24,387,141.84
Low-value consumables	1,336,977.24	-	-	-	-	1,336,977.24
Finished goods	52,618,072.96	26,833,994.40	-	9,841,025.26	-	69,611,042.10
Total	75,054,347.20	30,976,925.97	-	10,696,111.99	-	95,335,161.18

5.8.3 The main reasons of the impairment of inventories are the price decreasing and inventory sluggish. The net realizable value of inventories are figuring out according to the expected price. The difference between the net realizable value and the carrying amount of inventory should be recorded as provision for impairment of inventory. The write off of the provision of inventory was mainly due to the sale of the related inventory.

5.9 Other current assets

Item	December 31 st , 2019	December 31 st , 2018
Prepaid and withholding taxes	38,572,942.44	26,920,354.72
Financial products	-	160,000,000.00
Total	38,572,942.44	186,920,354.72

5.10 Available-for-sales financial assets

Item	December 31 st , 2019			December 31 st , 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sales equity instruments at fair value	-	-	-	49,999,872.00	31,992,105.60	18,007,766.40

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.11 Long-term equity investments

Investee	December 31 st , 2018	Additions or Decreases								December 31 st , 2019	Provision for impairment loss
		Additions	Decreases	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividends or profits declared	Addition of provision for impairment loss	Others		
Jointly run company											
Beijing Pennvasia Glass Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-
Luanzhou Xiaochuan Glass Silica Sand Co., Ltd.	1,032,040.65	-	-	-	-	-	-	-	-	1,032,040.65	1,032,040.65
Total	<u>1,032,040.65</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,032,040.65</u>	<u>1,032,040.65</u>

Notes:

(1) The original investment cost of Beijing Pennvasia Glass Co., Ltd is RMB6,988,694.48, share holding ratio is 35%. For Beijing Pennvasia Glass Co., Ltd's operation condition is still poor with a negative net assets balance for several years, the Company adjusted cost of long-term investment of this company to zero according to the equity method.

(2) The original investment cost of Luanzhou Xiaochuan Glass Silica Sand Co., Ltd is RMB821,000.00, share holding ratio is 35%. For Luanzhou Xiaochuan Glass Silica Sand Co., Ltd's operation condition is still poor with a negative net assets balance for several years, the Company has fully set aside the impairment provision for this long-term equity investment in the previous year.

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.12 Other non-current financial assets

Item	December 31 st , 2019	December 31 st , 2018
Fund investment	15,000,000.00	-

Note: At the end of the period, the fund investment is an industrial fund invested by Shanghai Yaopi Investment Co., Ltd., a wholly-owned subsidiary of the company. The main investment directions are: consulting design, smart cities, environmental friendly buildings, real estate and infrastructure industry chains mainly focusing on new materials, and investment opportunities in the areas of energy conservation, environmental protection, advanced manufacturing, and reform of state-owned enterprises.

5.13 Investment properties

5.13.1 Investment properties measured at cost

Item	Buildings	Land use rights	Construction in progress	Total
I. Cost				
December 31 st , 2018	79,785,613.54	-	-	79,785,613.54
Additions	4,341,872.96	-	-	4,341,872.96
1. Transferred from inventory/fixed assets/ construction in progress	4,341,872.96	-	-	4,341,872.96
2. Others	-	-	-	-
Decreases	-	-	-	-
1. Disposal	-	-	-	-
December 31 st , 2019	84,127,486.50	-	-	84,127,486.50
II. Accumulated depreciation				
December 31 st , 2018	10,264,014.83	-	-	10,264,014.83
Additions	3,061,263.20	-	-	3,061,263.20
1. Accrual	3,061,263.20	-	-	3,061,263.20
Decreases	-	-	-	-
1. Disposal	-	-	-	-
December 31 st , 2019	13,325,278.03	-	-	13,325,278.03
III. Provision for impairment loss				
December 31 st , 2018	-	-	-	-
Additions	-	-	-	-
1. Accrual	-	-	-	-
Decreases	-	-	-	-
1. Disposal	-	-	-	-
December 31 st , 2019	-	-	-	-
V. Carrying amount				
December 31 st , 2019	70,802,208.47	-	-	70,802,208.47
December 31 st , 2018	69,521,598.71	-	-	69,521,598.71

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.14 Fixed assets

5.14.1 Changes in fixed assets in the current year are as follows:

Item	Buildings	Transportation Vehicles	Machinery	Office and other equipments	Total
I. Cost					
December 31 st ,2018	2,088,798,451.90	84,507,223.33	4,363,477,890.76	111,228,065.91	6,648,011,631.90
Additions	16,960,819.94	3,960,156.89	521,118,984.80	8,947,577.63	550,987,539.26
1.Purchase	2,789,140.09	3,900,943.18	34,684,143.13	4,295,684.77	45,669,911.17
2.Transferred from construction in progress	14,171,679.85	59,213.71	486,434,841.67	4,651,892.86	505,317,628.09
3. Others	-	-	-	-	-
Decreases	11,606,250.40	5,282,117.80	537,548,221.02	6,526,510.56	560,963,099.78
1.Disposal or Retirement	4,349,572.96	5,282,117.80	97,883,132.89	6,526,510.56	114,041,334.21
2.Others	7,256,677.44	-	439,665,088.13	-	446,921,765.57
December 31 st ,2019	2,094,153,021.44	83,185,262.42	4,347,048,654.54	113,649,132.98	6,638,036,071.38
II.Accumulated					
December 31 st ,2018	773,781,060.13	58,178,614.54	2,020,327,363.19	80,176,672.07	2,932,463,709.93
Additions	74,061,604.27	4,795,345.14	267,773,117.94	6,451,626.33	353,081,693.68
1.Accrual	74,061,604.27	4,795,345.14	267,773,117.94	6,451,626.33	353,081,693.68
2.Others	-	-	-	-	-
Decreases	3,790,028.48	4,387,443.60	284,531,791.49	5,826,218.98	298,535,482.55
1.Disposal or retirement	541,660.61	4,387,443.60	84,936,116.90	5,826,218.98	95,691,440.09
2.Others	3,248,367.87	-	199,595,674.59	-	202,844,042.46
December 31 st ,2019	844,052,635.92	58,586,516.08	2,003,568,689.64	80,802,079.42	2,987,009,921.06
III.Provision for impairment loss					
December 31 st ,2018	3,091,877.70	352,306.82	252,367,534.31	1,221,447.48	257,033,166.31
Additions	291,876.35	-	197,362,851.63	343,563.75	197,998,291.73
1.Accrual	-	-	26,178,241.93	140,169.22	26,318,411.15
2.Transferred from construction in progress	-	-	171,184,609.70	203,394.53	171,388,004.23
3.Others	291,876.35	-	-	-	291,876.35
Decreases	-	45,547.20	168,874,574.39	57,927.69	168,978,049.28
1.Disposal or retirement	-	45,547.20	1,524,500.07	57,927.69	1,627,974.96
2.Transferred to construction in progress	-	-	167,058,197.97	-	167,058,197.97
3.Others	-	-	291,876.35	-	291,876.35
December 31 st ,2019	3,383,754.05	306,759.62	280,855,811.55	1,507,083.54	286,053,408.76
IV.Net book value					
1.December 31 st ,2019	<u>1,246,716,631.47</u>	<u>24,291,986.72</u>	<u>2,062,624,153.35</u>	<u>31,339,970.02</u>	<u>3,364,972,741.56</u>
2.December 31 st ,2018	<u>1,311,925,514.07</u>	<u>25,976,301.97</u>	<u>2,090,782,993.26</u>	<u>29,829,946.36</u>	<u>3,458,514,755.66</u>

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.14 Fixed assets (Continued)

5.14.2 Temporary idle fixed assets

Item	Book balance	Accumulated depreciation	Provision for impairment loss	Net book value	Notes
Machinery	110,842,125.42	39,695,633.16	62,241,818.06	8,904,674.20	—

Note: the temporary idle fixed asset of the Company is the machine of Changshu factory production line.

5.14.3 Operating leased fixed assets

Item	Carrying amount
Buildings	27,970,822.35
Machineries	4,489,720.70

5.15 Construction in progress

5.15.1 Construction in progress by category

Item	December 31 st , 2019	December 31 st , 2018
Construction in progress	303,647,406.29	189,933,801.67
Construction materials	-	-
Total	303,647,406.29	189,933,801.67

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.15 Construction in progress (Continued)

5.15.2 Details of construction in progress

Item	December 31 st , 2019			December 31 st , 2018		
	Book balance	Provision for impairment loss	Carrying amount	Book balance	Provision for impairment loss	Carrying amount
Changshu Fire Prevention Glass Project	-	-	-	188,202,902.90	171,388,004.23	16,814,898.67
Producing Technic Transformation Project of Changshu Fire Prevention Glass	195,212,431.71	166,340,211.48	28,872,220.23	-	-	-
The First Line of Cold Repair Project of Tianjin Yaopi	189,774,521.84	-	189,774,521.84	-	-	-
Kangqiao Auto Glass Upgrading and Reconstruction Project	38,028,652.46	-	38,028,652.46	13,605,758.62	-	13,605,758.62
Tianjin Auto Glass Project	-	-	-	110,847,572.64	-	110,847,572.64
The Second Project of Changshu Auto Glass	827,900.94	-	827,900.94	-	-	-
Others	46,144,110.82	-	46,144,110.82	48,665,571.74	-	48,665,571.74
Total	469,987,617.77	166,340,211.48	303,647,406.29	361,321,805.90	171,388,004.23	189,933,801.67

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.15 Construction in progress (Continued)

5.15.3 Movement of significant construction project

Project's name	Budget (in a hundred million)	December 31st, 2018	Additions	Complete and transfer to fixed assets	Other reductions	December 31st, 2019	Engineering input/Budget (%)	Project progress (%)	Amount of accumulated interest capitalized	Including: Amount of interest capitalized in Year 2019	Proportion of interest capitalized in Year 2019 (%)	Capital source
Changshu Fire Prevention Glass Project	—	16,814,898.67	-	-	16,814,898.67	-	—	—	-	-	-	Bank loan and subscription funds
Changshu Aviation Glass Project	0.54	-	60,932,261.64	60,932,261.64	-	-	—	—	-	-	-	the own funds
Producing Technic Transformation Project of Changshu Fire Prevention Glass	0.82	-	28,872,220.23	-	-	28,872,220.23	0.40	1.00	-	-	-	the own funds
Tianjin Auto Glass Project	2.68	110,847,572.64	111,481,511.44	222,329,084.08	-	-	82.84	100.00	2,857,199.33	2,617,340.25	100.00	Bank loan and the own funds
Kangqiao Auto Glass Upgrading and Reconstruction Project	0.7	13,605,758.62	29,028,752.95	4,605,859.11	-	38,028,652.46	60.91	60.00	-	-	-	the own funds
The First Stage of the Second Project of Changshu Auto Glass	1.12	-	827,900.94	-	-	827,900.94	0.74	1.00	-	-	-	the own funds
The First Line of Cold Repair Project of Tianjin Yaopi	2.26	-	189,774,521.84	-	-	189,774,521.84	65.25	70.00	-	-	-	the own funds
Total	—	141,268,229.93	420,917,169.04	287,867,204.83	16,814,898.67	257,503,295.47	—	—	2,857,199.33	2,617,340.25	—	

Note 1: For the Fire Prevention Glass Project of the Company: the cost is RMB188,202,902.90, the provision of impairment loss is RMB171,388,004.23 and the net book value is RMB16,814,898.67. The Company invested 44.12 million yuan additionally on the Fire Prevention Glass Project and transferred the Project into the Aviation Glass Project. The Aviation Glass Project accomplished and transferred to fixed assets in May, 2019. In November, 2019, the order has been completed on the Aviation Glass Project. The net book value of the producing line is RMB28,553,470.45 which has been transferred into the Fire Prevention Glass Project again to upgrading. The new project is titled "Producing Technic Transformation Project" which will be invested an additional 82 million yuan by the Company.

Note 2: The newly additional amount of the The First Line of Cold Repair Project of Tianjin Yaopi is RMB189,774,521.84, including the amount transferred from the fixed assets which cost 42,315,524.49 yuan and the amount invested newly by the Company which cost 147,458,997.35 yuan.

5.15.4 There is no provision of impairment loss for construction project in this period.

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.16 Intangible assets

Item	Land use rights	Royalties	Float technology	Software	Proprietary technology	Total
I. Cost						
December 31 st ,2018	492,456,918.92	137,630,400.0 0	71,303,678.53	19,529,662.65	5,736,280.81	726,656,940.91
Additions	-	-	-	1,566,779.47	-	1,566,779.47
1.Purchase	-	-	-	1,566,779.47	-	1,566,779.47
2.Internal research and development	-	-	-	-	-	-
3.Increases from the merger of enterprises	-	-	-	-	-	-
Decreases	20,010,865.02	-	-	-	-	20,010,865.02
1.Disposals	20,010,865.02	-	-	-	-	20,010,865.02
2.Others	-	-	-	-	-	-
December 31 st ,2019	472,446,053.90	137,630,400.0 0	71,303,678.53	21,096,442.12	5,736,280.81	708,212,855.36
II. Accumulated amortization						
December 31 st ,2018	125,457,125.91	83,459,474.85	47,931,917.55	10,350,006.15	5,736,280.81	272,934,805.27
Additions	9,647,464.44	10,737,224.97	-	3,245,341.91	-	23,630,031.32
1.Accrual	9,647,464.44	10,737,224.97	-	3,245,341.91	-	23,630,031.32
Decreases	2,801,521.11	-	-	-	-	2,801,521.11
1.Disposals	2,801,521.11	-	-	-	-	2,801,521.11
December 31 st ,2019	132,303,069.24	94,196,699.82	47,931,917.55	13,595,348.06	5,736,280.81	293,763,315.48
III. Provision for impairment						
December 31 st ,2018	-	-	23,371,760.98	-	-	23,371,760.98
Additions	-	-	-	-	-	-
1.Accrual	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
1.Disposals	-	-	-	-	-	-
December 31 st ,2019	-	-	23,371,760.98	-	-	23,371,760.98
IV. Net book value						
1.December 31 st ,2019	340,142,984.66	43,433,700.18	-	7,501,094.06	-	391,077,778.90
2.December 31 st ,2018	366,999,793.01	54,170,925.15	-	9,179,656.50	-	430,350,374.66

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.17 Development expenditures

Item	December 31 st , 2018	Additions		Decreases		December 31 st , 2019
		Internal development expenditure	Others	Confirmed as intangible assets	Others	
ERP	574,614.72	-	198,113.20	574,614.72	-	198,113.20
Document management system and cloud computing system	225,660.38	-	857,818.54	574,009.90	-	509,469.02
Total	800,275.10	-	1,055,931.74	1,148,624.62	-	707,582.22

5.18 Goodwill

5.18.1 The original value of goodwill

Investee	December 31 st , 2018	Additions	Decreases	December 31 st , 2019
Shanghai SYP Engineering Glass Co., Ltd.	2,420,911.43	-	-	2,420,911.43
Shanghai SYP Building Glass Co., Ltd.	5,222,625.08	-	-	5,222,625.08
Total	7,643,536.51	-	-	7,643,536.51

5.18.2 Provision for impairment loss

Investee	December 31 st , 2018	Accrual	December 31 st , 2019
Shanghai SYP Engineering Glass Co., Ltd.	2,420,911.43	-	2,420,911.43
Shanghai SYP Building Glass Co., Ltd.	5,222,625.08	-	5,222,625.08
Total	7,643,536.51	-	7,643,536.51

5.19 Long-term prepayments

Item	December 31 st , 2018	Additions	Amortization	Other decreases	December 31 st , 2019
Mould	83,164,824.14	24,701,431.43	31,423,318.76	-	76,442,936.81
Others	10,683.47	-	10,683.47	-	-
Total	83,175,507.61	24,701,431.43	31,434,002.23	-	76,442,936.81

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.20 Deferred income tax assets/ Deferred income tax liabilities

5.20.1 Undeducted deferred income tax assets

Item	December 31 st , 2019		December 31 st , 2018	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment provision	69,830,454.83	14,007,650.27	52,268,095.37	11,413,776.58

5.20.2 Undeducted deferred income tax liabilities

Item	December 31 st , 2019		December 31 st , 2018	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Deferred taxation	119,021,047.93	5,951,052.39	107,664,277.12	5,383,213.86

5.20.3 Details of unrealized deferred income tax assets

Item	December 31 st , 2019	December 31 st , 2018
Deductible temporary differences	585,923,617.53	535,155,588.27
Deductible losses	589,097,175.65	539,190,848.51
Total	1,175,020,793.18	1,074,346,436.78

5.20.4 Amount of deductible losses of unrealized deferred income tax assets due in the next year.

Year	December 31 st , 2019	December 31 st , 2018	Notes
2019	-	45,842,691.69	
2020	67,936,988.22	165,654,609.17	
2021	134,722,100.77	118,125,397.12	
2022	96,316,994.02	116,909,768.24	
2023	152,774,788.01	92,658,382.29	
2024	137,346,304.63	-	
Total	589,097,175.65	539,190,848.51	

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.21 Short-term borrowings

Item	December 31 st , 2019	December 31 st , 2018
Credit loan	851,069,134.29	1,202,000,000.00

5.22 Notes payable

Item	December 31 st , 2019	December 31 st , 2018
Commercial acceptance bills	78,901,596.73	128,713,331.83
Bank acceptance bills	360,310,463.59	347,081,530.11
Total	439,212,060.32	475,794,861.94

5.23 Accounts payable

5.23.1 The aging analysis is as follows:

Item	December 31 st , 2019	December 31 st , 2018
Within 1 year	540,018,240.61	581,711,842.51
Over 1 year	89,200,864.57	84,491,439.71
Total	629,219,105.18	666,203,282.22

5.23.2 Significant accounts payable aged more than one year

Item	December 31 st , 2019	Reasons for non-repayment
Supplier A	20,706,944.39	Not exceed the credit period
Supplier B	7,605,886.77	Not exceed the credit period
Supplier C	2,831,545.50	Not exceed the credit period
Supplier D	1,748,502.00	Not exceed the credit period
Supplier E	1,375,200.00	Not exceed the credit period
Total	34,268,078.66	

5.24 Advances from customers

Item	December 31 st , 2019	December 31 st , 2018
Within 1 year	74,716,292.00	130,504,517.57
Over 1 year	12,919,723.63	12,347,625.78
Total	87,636,015.63	142,852,143.35

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.25 Employee benefits payable

5.25.1 Employee benefits payable by category

Item	December 31st,2018	Additions	Decreases	December 31st,2019
1.Short-term employee benefits	74,508,804.03	591,521,994.10	578,164,312.08	87,866,486.05
2.Post-employment benefits	1,277,958.20	47,456,520.54	47,605,163.00	1,129,315.74
3.Termination benefits	-	6,146,728.52	6,146,728.52	-
4.Other employee benefits within one year	-	-	-	-
Total	<u>75,786,762.23</u>	<u>645,125,243.16</u>	<u>631,916,203.60</u>	<u>88,995,801.79</u>

5.25.2 Short-term employee benefits

Item	December 31st,2018	Additions	Decreases	December 31st,2019
1. Wages or salaries, bounses, allowances, subsidies	72,571,526.65	503,023,165.22	490,052,028.89	85,542,662.98
2.Staff welfare	240,547.68	28,184,055.68	28,401,512.95	23,090.41
3.Social security contributions	691,910.58	26,184,468.03	26,145,732.04	730,646.57
Including: Medical insurance	569,623.54	22,448,450.58	22,434,626.42	583,447.70
Work injury insurance	69,252.52	2,015,405.11	1,992,032.20	92,625.43
Maternity insurance	53,034.52	1,720,612.34	1,719,073.42	54,573.44
4.Housing funds	189,929.72	23,592,600.28	23,677,188.50	105,341.50
5.Union running costs and employee education costs	536,500.14	7,954,115.05	7,614,592.68	876,022.51
6. Employee benefits arising from non-accumulating paid absences	-	-	-	-
7. Employee benefits payable under a profit-sharing plan	-	-	-	-
8.Others	278,389.26	2,583,589.84	2,273,257.02	588,722.08
Total	<u>74,508,804.03</u>	<u>591,521,994.10</u>	<u>578,164,312.08</u>	<u>87,866,486.05</u>

5.25.3 Defined contribution plans

Item	December 31st,2018	Additions	Decreases	December 31st,2019
1.Basic pension insurance	1,232,043.38	46,273,526.90	46,422,954.72	1,082,615.56
2.Unemployment insurance	45,914.82	1,182,993.64	1,182,208.28	46,700.18
3.Pension funds	-	-	-	-
Total	<u>1,277,958.20</u>	<u>47,456,520.54</u>	<u>47,605,163.00</u>	<u>1,129,315.74</u>

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.26 Taxes and surcharges payable

Item	December 31 st ,2019	December 31 st ,2018
Corporate income tax	4,319,006.77	2,438,433.10
Value-added tax	9,208,621.25	9,054,580.24
Land use tax	526,506.65	576,315.84
Property tax	950,755.54	964,078.57
Urban construction tax	413,858.98	277,882.50
Education surcharge	422,030.00	350,574.52
Stamp tax	830,000.59	921,835.17
Individual income tax	660,286.83	588,802.42
Environmental protection tax	375,939.35	423,875.90
Others	-	1,287.00
Total	17,707,005.96	15,597,665.26

5.27 Other payables

5.27.1 Other payables by category

Item	December 31 st ,2019	December 31 st ,2018
Interest payable	-	1,793,664.57
Other payables	291,974,994.04	216,442,521.87
Total	291,974,994.04	218,236,186.44

5.27.2 Interest payable

Item	December 31 st ,2019	December 31 st ,2018
Interest payable for long-term borrowings	-	197,226.95
Interest payable for short-term borrowings	-	1,596,437.62
Total	-	1,793,664.57

5.27.3 Other payables

5.27.3.1 Reported according to the nature of other payables

Item	December 31 st ,2019	December 31 st ,2018
Accrued costs and expenses	93,118,105.14	62,735,415.84
Payable between enterprises	181,643,991.06	139,062,318.23
Deposits	14,018,139.06	11,151,896.00
Withholding personal social security	967,640.95	596,361.47
Others	2,227,117.83	2,896,530.33
Total	291,974,994.04	216,442,521.87

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.27 Other payables (Continued)

5.27.3.2 Significant other payables aged more than 1 year

Item	December 31 st , 2019	Reasons
The first largest amount	56,673,469.93	Not exceed the credit period
The second largest amount	43,400,000.00	Industrial support funds
The third largest amount	1,018,860.00	Not exceed the credit period
The fourth largest amount	750,000.00	Not exceed the credit period
The fifth largest amount	550,000.00	Not exceed the credit period
Total	102,392,329.93	

5.28 Non-current liabilities due within 1 year

Item	December 31 st , 2019	December 31 st , 2018
Long-term borrowings due within 1 year	30,600,774.38	32,844,586.42

Note: The long-term borrowings due within 1 year mentioned above is borrowed by Wuhan Kangqiao Automobile Glass Co., Ltd. from Bank of Communications Jiangxia Sub-ranch with the own land, real estate and fixed assets mortgaged, and guaranteed by Shanghai SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD..

5.29 Long-term borrowings

5.29.1 Long-term borrowings by category

Item	December 31 st , 2019	December 31 st , 2018
Mortgage secured loan	-	52,680,000.00
Guaranteed loan	50,024,786.24	49,950,000.00
Credit loan	-	166,666.66
Total	50,024,786.24	102,796,666.66

5.29.2 The guaranteed loan mentioned above is borrowed by Tianjin SYP Auto Glass Co., Ltd. from Industrial and Commercial Bank of China Tianjin Beichen Sub-branch and Shanghai SYP Kangqiao Auto Glass co., Ltd. provided joint liability for guarantee. The annual interest rate of the loan is 4.90%.

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.30 Long-term payables

5.30.1 Long-term payables by category

Item	December 31 st ,2019	December 31 st ,2018
Long-term payables	90,496,782.56	90,496,782.56
Specific payables	-	-
Total	90,496,782.56	90,496,782.56

5.30.2 Reported according to the nature of long-term payables

Item	December 31 st ,2019	December 31 st ,2018
Long-term payable between enterprises	90,496,782.56	90,496,782.56

5.31 Deferred revenue

Item	December 31 st , 2018	Increase	Decrease	December 31 st , 2019	Reason
Government grant	569,133,474.65	507,000.00	66,400,837.68	503,239,636.97	Government grant
Item related to government grant:					

Item	December 31 st , 2018	Increase	Included in other incomes of 2019	Amount charged against cost	Other changes	December 31 st , 2019	Assets/Income Related
Deferred revenue from Jiyang factory relocation compensation	436,792,411.68	-	50,648,430.24	-	-	386,143,981.44	Assets related
Grant for construction energy saving glass deep processing project Infrastructure	25,011,250.00	-	1,605,000.00	-	-	23,406,250.00	Assets related
Technical innovation and energy efficiency improvement project for SASAC enterprises	35,757,558.82	-	5,699,743.80	-	-	30,057,815.02	Assets related
Industrial transformation and upgrading project	15,900,000.00	-	1,800,000.00	-	-	14,100,000.00	Assets related
The colored glaze line DIP Project	1,431,477.81	-	209,484.48	-	-	1,221,993.33	Assets related
Technological transformation for high performance special windshield production line	9,711,999.92	-	1,214,000.04	-	-	8,497,999.88	Assets related
Infrastructure subsidy	10,824,444.00	-	235,314.00	-	-	10,589,130.00	Assets related
Yangzhou automobile industry development guide funds subsidy	1,331,833.41	-	261,999.96	-	-	1,069,833.45	Assets related
Revitalization of special funds - energy saving	886,327.58	-	100,339.08	-	-	785,988.50	Assets related
Subsidy of smoke- gas treatment	13,344,827.64	-	1,779,310.32	-	-	11,565,517.32	Assets related
Technical transformation for skylight project	4,369,166.74	-	534,999.96	-	-	3,834,166.78	Assets related
LOW-E technical transformation	2,021,584.07	-	295,841.64	-	-	1,725,742.43	Assets related
Technical transformation in 2015	530,689.60	-	530,689.60	-	-	-	Assets related
Special subsidy for industry and information technology	960,000.00	-	32,000.00	-	-	928,000.00	Assets related
Subsidy for major industrial projects in Shanghai	2,955,555.55	-	337,777.80	-	-	2,617,777.75	Assets related
Special funds for industrial investment and technological transformation	7,304,347.83	507,000.00	1,115,906.76	-	-	6,695,441.07	Assets related

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Total	<u>569,133,474.65</u>	<u>507,000.00</u>	<u>66,400,837.68</u>	<u>-</u>	<u>-</u>	<u>503,239,636.97</u>
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Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.32 Paid-in Capital

Item	December 31 st ,2018		Movement (+, -)					December 31 st ,2019	
	Shares	Proportions (%)	New issues	Bonus shares	Capitalized capital reserve	Others	Total	Shares	Proportions (%)
1. RMB common shares	747,416,067	79.94	-	-	-	-	-	747,416,067	79.94
2. Domestically listed foreign shares	187,500,002	20.06	-	-	-	-	-	187,500,002	20.06
Total shares	<u>934,916,069</u>	<u>100.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>934,916,069</u>	<u>100.00</u>

5.33 Capital reserves

Item	December 31 st ,2018	Additions	Decreases	December 31 st ,2019
Capital premium (Share premium)	- 1,128,090,384.90	26,456,800.28	-	1,154,547,185.18
Other capital reserve	- 1,752,324.48	-	-	1,752,324.48
Total	<u>1,129,842,709.38</u>	<u>26,456,800.28</u>	<u>-</u>	<u>1,156,299,509.66</u>

The addition of capital reserve in this period is due to the premium increase of minority shareholders.

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.34 Other comprehensive income

Item	December 31 st , 2018	Amount of 2019					December 31 st , 2019
		Amount before income tax	Less: Other comprehensive income transferred to net profit and loss	Less: Income tax	Other comprehensive income after tax attribute to the Company	Other comprehensive income after tax attribute to the Minority interest	
I. Other comprehensive income couldn't be reclassified into the profits and losses	-	-	-	-	-	-	-
1. Remeasurement of changes in net liabilities or net assets under defined benefit plans	-	-	-	-	-	-	-
2. The unit of other comprehensive income could not be reclassified to income statements of the investee under the equity methods	-	-	-	-	-	-	-
3. Changes in the fair value of investment in other equity instruments	-	-	-	-	-	-	-
4. Changes in the fair value of the company's own credit risk	-	-	-	-	-	-	-
II. Other comprehensive income could be reclassified into the profits and losses	-12,670,868.57	-	-	-	-	-	-12,670,868.57
1. The unit of other comprehensive income will be reclassified to income statements of the investee under the equity methods	-	-	-	-	-	-	-
2. Changes in the fair value of other creditor's rights investment	-	-	-	-	-	-	-
3. The amount of financial assets reclassified into other comprehensive income	-	-	-	-	-	-	-
4. Provision for credit impairment of other creditor's rights investment	-	-	-	-	-	-	-
5. Cash flow hedging reserve	-	-	-	-	-	-	-
6. Translation differences of foreign currency financial statements	-12,670,868.57	-	-	-	-	-	-12,670,868.57

Shanghai Yaohua Pilkington Glass Croup Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

III. Total other Comprehensive income	<u>-12,670,868.57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-12,670,868.57</u>
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Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.35 Surplus reserves

Item	December 31 st ,2018	Adjustment on January 1 st ,2019	January 31 st , 2019	Increase/ Decrease	December 31 st , 2019
Statutory surplus reserve	307,389,901.42	-	307,389,901.42	-	307,389,901.42
Discretionary surplus reserve	184,814,366.85	-	184,814,366.85	-	184,814,366.85
Total	492,204,268.27	-	492,204,268.27	-	492,204,268.27

5.36 Undistributed profits

Item	Year 2019	Year 2018
Undistributed profit at Dec. 31 st , 2018 before adjustments	539,253,140.08	463,529,944.95
Adjusted amount of the opening balance (Increase+, Decrease-)	-2,211,647.28	-
Undistributed profit at Jan. 1 st , 2019 after adjustments	537,041,492.80	463,529,944.95
Including: Net profits attributable to equity holders of the Company	208,497,447.62	90,681,852.23
Less: Appropriation of statutory surplus reserve	-	-
Appropriation of discretionary surplus reserve	-	-
Ordinary shares' dividends payable	28,047,482.07	14,958,657.10
Ordinary shares' dividends converted into equity	-	-
Undistributed profit at Dec. 31 st , 2019	717,491,458.35	539,253,140.08

5.37 Operating income and operating costs

5.37.1 Operating income and operating costs

Item	Year 2019		Year 2018	
	Income	Cost	Income	Cost
Major operations	4,434,681,431.59	3,522,313,776.24	3,782,794,060.38	3,113,683,422.87
Other operations	76,334,810.96	14,894,390.26	74,615,803.25	32,441,880.52
Total	4,511,016,242.55	3,537,208,166.50	3,857,409,863.63	3,146,125,303.39

5.37.2 Major operations by product (Unit: Ten thousand yuan)

Item	Year 2019		Year 2018	
	Operating income	Operating cost	Operating income	Operating cost
Processed building glass	211,862.43	166,955.41	173,426.00	147,970.00
Float glass	142,920.77	115,720.68	112,172.33	91,423.08
Processed automobile glass	124,671.65	104,490.54	123,926.28	101,047.81
Less: Intra-Group sales	35,986.71	34,935.25	31,245.20	29,072.55
Total	443,468.14	352,231.38	378,279.41	311,368.34

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.38 Taxes and levies

Item	Year 2019	Year 2018
Urban construction tax	7,782,945.84	5,337,003.52
Education surcharge	6,731,201.57	4,698,824.15
Property tax	14,955,588.93	12,438,042.59
Land use tax	5,420,525.83	6,939,878.63
Vehicle and vessel use tax	60,560.39	8,043.60
Stamp tax	2,565,841.12	1,583,673.79
River management fee and others	16,203.17	732,064.20
Environmental protection tax	2,056,043.99	2,091,483.66
Total	39,588,910.84	33,829,014.14

5.39 Selling and distribution expenses

Item	Year 2019	Year 2018
Employee expenses	63,762,412.30	56,595,958.13
Transportation and insurance fees	112,315,793.10	87,379,408.23
Office expenses	2,567,854.14	2,731,672.69
Entertainment expenses	7,609,263.66	4,668,629.29
Service fee and sale commission	19,140,702.57	16,022,436.47
Travelling expenses	7,005,611.38	7,932,146.90
Quality loss	1,559,433.18	1,640,834.26
Marketing fees	2,037,193.69	953,746.36
Warehouse expenses	14,657,927.64	13,105,227.43
Rental fees	5,025,638.76	4,256,527.39
Others	5,738,393.12	3,214,499.16
Total	241,420,223.54	198,501,086.31

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Notes for the Financial Statements of 2019
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.40 General and administrative expenses

Item	Year 2019	Year 2018
Employee expenses	138,059,420.75	128,928,185.35
Depreciation and amortization	27,688,349.47	30,250,781.09
Consulting services expenses	8,358,540.46	7,626,902.75
Property and rental fees	7,984,661.43	7,915,765.54
Water, electronic expenses and consumption of materials	3,844,659.35	5,351,454.49
Entertainment expenses	1,940,711.98	1,713,750.16
Travelling expenses	3,635,781.50	3,976,957.55
Office and correspondence fees	6,352,911.81	5,546,639.55
Repair costs	4,011,539.64	2,234,071.45
Vehicle costs	4,796,716.88	4,673,114.46
Shut-down loss	19,982,687.87	1,386,623.01
The labor protection articles	674,179.43	769,153.93
Labor union and employee education expenses	5,389,568.64	4,722,258.73
Labor protection fees	545,923.49	836,128.27
Canteen fees	7,229,802.78	8,314,484.65
Personnal management fees	2,383,979.20	1,996,771.02
Board of directors' expenses	642,823.39	548,584.74
Insurance expenses	1,731,022.80	2,000,928.92
Technical services fees	5,805,083.66	6,586,661.58
Others	4,270,044.14	3,796,441.02
Total	255,328,408.67	229,175,658.26

5.41 Research and development expenses

Item	Year 2019	Year 2018
Employee expenses	58,208,378.27	61,814,625.92
Material inputs	31,963,984.58	30,458,342.94
Commissioning cost	52,994,673.39	22,386,534.44
Depreciation and amortization	14,509,354.34	13,605,028.27
Energy and power	10,465,170.76	6,024,427.79
Inspection fee	4,121,097.32	3,434,789.25
Others	3,107,635.46	2,349,529.40
Total	175,370,294.12	140,073,278.01

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.42 Financial expenses

Item	Year 2019	Year 2018
Interest expenses	48,723,039.38	61,566,170.96
Less: interest income	9,199,138.77	3,231,614.83
Net interest expenses	39,523,900.61	58,334,556.13
Foreign exchange loss	34,993,218.67	27,139,298.44
Less: foreign exchange income	34,316,561.51	27,213,648.74
Net foreign exchange loss	676,657.16	-74,350.30
Bank charges and others	1,899,663.60	1,640,200.06
Total	42,100,221.37	59,900,405.89

5.43 Other income

Item	Year 2019	Year 2018
Deferred revenue from Jiyang factory relocation compensation	50,648,430.24	50,980,916.76
Technical innovation and energy efficiency improvement project for SASAC enterprises	5,699,743.80	5,699,743.80
Industrial transformation and upgrading project	1,800,000.00	1,800,000.00
Subsidy of smoke- gas treatment	1,779,310.32	1,779,310.32
Grant for construction energy saving glass deep processing project infrastructure	1,605,000.00	1,605,000.00
Technological transformation for high performance special windshield production line	1,551,777.84	1,298,444.49
Special subsidy for industry and information technology	1,115,906.76	695,652.17
Technical transformation for skylight project	534,999.96	534,999.96
Technical transformation subsidy in 2015	530,689.60	707,586.24
LOW-E technical transformation	295,841.64	295,841.64
Yangzhou automobile industry development guide funds subsidy	261,999.96	261,999.96
Infrastructure subsidy	235,314.00	235,314.00
The colored glaze line DIP Project	209,484.48	209,484.48
Revitalization of special funds - energy saving	100,339.08	100,339.08
Special subsidy for industrialization and informatization	32,000.00	-
Other government subsidies related to daily operating activities	3,755,030.78	3,245,423.58
Total	70,155,868.46	69,450,056.48

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.44 Investment income

Item	Year 2019	Year 2018
Gains on available for sale financial assets	-	781,248.00
Gains on disposal of available for sale financial assets	-	23,328,273.19
Gains on disposal of financial assets held for trade	11,852,546.75	17,804,513.06
Total	11,852,546.75	41,914,034.25

5.45 Credit impairment losses

Item	Year 2019
Provision for the bad debt of acceptance bills	319,989.85
Provision for the bad debt of account receivable	-6,281,871.94
Provision for the bad debt of other receivables	7,536.37
Total	-5,954,345.72

5.46 Assets impairment losses

Item	Year 2019	Year 2018
I.Bad debt provision	-	-2,011,865.51
II.Provision for the impairment of inventories	-30,976,925.97	-29,853,763.17
III.Impairment losses of fixed assets	-26,318,411.15	-9,832,224.30
IV.Impairment losses of available-for-sales financial assets	-	-8,281,228.80
Total	-57,295,337.12	-49,979,081.78

5.47 Net gains from asset disposal

Item	Year 2019	Year 2018
Gains or losses on disposal of fixed assets	47,348.97	151,868.27
Gains or losses on disposal of intangible assets	-1,613,423.91	-
Total	-1,566,074.94	151,868.27

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.48 Non-operating incomes

5.48.1 Non-operating incomes

Item	Year 2019	Year 2018	including: extraordinary gains or losses
Penalty and fine income	64,295.78	2,350.00	64,295.78
Government grants non-related to daily operating activities	5,328,496.05	8,534,260.14	5,328,496.05
Infringe indemnification	-	150,000.00	-
Non-current assets discarded profit	270,709.80	315,031.91	270,709.80
Others	224,171.35	114,058.96	224,171.35
Total	5,887,672.98	9,115,701.01	5,887,672.98

5.48.2 Government grants recorded into the current profits and losses

Item	Year 2019	Year 2018	Assets related/ Income related
Chongqing district-level subsidy for brand product certification in 2017	100,000.00	100,000.00	Income related
Award for innovation development 2016-2017	300,000.00	350,000.00	Income related
Special subsidy for business development from district bureau of commerce in 2017	-	30,000.00	Income related
Scientific research fund from Chongqing Construction Technology Development Center	-	30,000.00	Income related
Subsidy for increasing efficiency and stabilizing production in 2017	100,000.00	150,000.00	Income related
Investment support fund from Chongqing Wansheng Economic and Technological Development Zone	-	735,990.00	Income related
Special fund for industrial development from Chongqing Wansheng Economic and Technological Development Zone in 2018	-	100,000.00	Income related
Reward from Yizheng Economic Development Zone for promoting economic transformation and high-quality development of enterprise	-	17,800.00	Income related
Award for science and technology enterprises	-	10,000.00	Income related
Technology Innovation Award(2016-2017)	-	50,000.00	Income related
Award for significant performance of enterprise	-	150,000.00	Income related
Production and sales incentives from government	-	1,450,000.00	Income related
Subsidy for collecting underground water	-	82,524.00	Income related
Special subsidy from the central government for the prevention and control of air pollution	-	1,550,000.00	Income related
Intellectual property subsidy	-	50,000.00	Income related
Financial subsidy from the pilot of Shanghai intellectual property and patent	-	126,846.00	Income related

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.48 Non-operating incomes (Continued)

5.48.2 Government grants recorded into the current profits and losses (Continued)

Item	Year 2019	Year 2018	Assets related/ Income related
Refund of service charge for educational surcharge	-	77,300.00	Income related
Support fund from Development Management Committee	877,000.00	2,173,000.00	Income related
Award for improving the competitive of enterprise on stock in 2017	-	650,000.00	Income related
Merchants support funds	452,261.87	247,272.97	Income related
Steady post subsidy	2,465,098.47	395,377.17	Income related
Financial subsidy	432,500.00	-	Income related
High-level enterprise cultivation rewards	50,000.00	-	Income related
Vocational education subsidies in 2018	129,400.00	-	Income related
2018 Beichen High-tech enterprise innovation coupon cashing fund	32,500.00	-	Income related
Subsidies to support foreign trade development	50,000.00	-	Income related
Advanced manufacturing industrial awards in 2018	270,000.00	-	Income related
Government awards for high quality	56,200.00	-	Income related
Others	13,535.71	8,150.00	Income related
Total	5,328,496.05	8,534,260.14	

5.49 Non-operating expenses

Item	Year 2019	Year 2018	Including: extraordinary gains or losses
Losses on disposal of non-current assets	8,684,330.42	786,275.30	8,684,330.42
Penalty and fine expenses	667,238.09	182,971.25	667,238.09
Others	15,982.91	5,842.04	15,982.91
Total	9,367,551.42	975,088.59	9,367,551.42

5.50 Income tax expenses

5.50.1 Income tax expenses

Item	Year 2019	Year 2018
Current income tax calculated according to tax law and related regulations	13,442,666.94	14,370,016.01
Deferred income tax	-1,961,414.87	-1,727,547.55
Total	11,481,252.07	12,642,468.46

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.50 Income tax expenses (Continued)

5.50.2 Adjustment procedure of accounting profit and income tax

Item	Year 2019
Total profit	233,712,796.50
Income tax expenses based on the calculation of statutory tax rate	58,428,199.13
Impact on the different income tax rate of subsidiary company	-23,681,232.50
Impact on the adjustment of previous income tax	-3,158,486.47
Impact on Non-taxable income	-
Impact on un-deductible cost, expenses and losses	3,430,261.04
Impact on the deductible losses from the unrealized deferred income tax assets of previous years	-28,443,154.20
Impact on the deductible temporary difference/losses from unrealized deferred income tax assets of current year	17,152,554.88
Impact on the timing difference from realized deferred income tax liabilities of current year	567,838.53
The impact of the deferred income tax assets on the time difference between the previous periods	307,367.23
Other- R & D expenses plus deduction	-13,122,095.57
Income tax expenses	11,481,252.07

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.51 Notes to consolidated cash flow statements

5.51.1 Cash received relating to other operating activities

Item	Year 2019	Year 2018
Interest income	9,199,138.77	3,231,614.83
Subsidies	9,590,526.83	27,034,454.76
Non-operating income and others	4,832,801.24	-
Total	23,622,466.84	30,266,069.59

5.51.2 Cash paid relating to other operating activities

Item	Year 2019	Year 2018
Exchanges between enterprises	16,899,090.50	6,043,087.69
Payments relating to selling and distribution expenses	144,785,775.23	122,389,061.62
Payments relating to G&A and R&D expenses	128,454,438.17	109,481,644.20
Bank charges	1,899,114.97	1,640,200.06
Non-operating expenses	667,238.09	186,571.45
Limited cash and cash equivalents increase	13,618,728.52	5,752,079.65
Total	306,324,385.48	245,492,644.67

5.51.3 Cash paid relating to other investing activities

Item	Year 2019	Year 2018
Equipment margin	-	737,477.00
Securities management fee	-	126,592.94
Limited fund for investment activities increase	-	6,512,566.04
Total	-	7,376,635.98

5.51.4 Cash received relating to other financing activities

Item	Year 2019	Year 2018
Temporary borrowings	49,500,000.00	-

5.51.5 Cash paid relating to other financing activities

Item	Year 2019	Year 2018
Return for investment	3,854,529.56	678,000.00

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5 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

5.52 Supplementary information to the cash flow statement

5.52.1 Supplementary information to the cash flow statement

Item	Year 2019	Year 2018
I. Reconciliation of net profit to cash flow from operating activities:		
Net profit	222,231,544.43	106,840,138.81
Add: Provision for asset impairment	57,295,337.12	49,979,081.78
Provision for credit impairment	5,954,345.72	-
Depreciation of fixed assets and biological assets and depletion of oil and gas assets	355,605,685.27	328,793,422.58
Amortization of intangible assets	23,630,031.32	23,559,308.81
Amortization of long-term prepaid expenses	31,434,002.23	22,377,215.53
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less gains)	9,615,469.93	-151,868.27
Losses on write-off of fixed assets	364,225.63	471,243.39
Losses on changes in fair values (less gains)	-	-
Financial expenses (less income)	46,817,923.73	61,566,170.96
Losses arising from investments (less gains)	-11,852,546.75	-41,914,034.25
Decrease in deferred tax assets (less increase)	-2,593,873.69	-1,841,030.95
Increase in deferred tax liabilities (less decrease)	567,838.53	113,483.40
Decrease in inventories (less increase)	75,947,394.33	-255,632,711.74
Decrease in operating receivables (less increase)	-126,539,356.02	-130,179,465.53
Increase in operating payables (less decrease)	-90,207,363.11	212,956,979.85
Others	-	-
Net cash flow from operating activities	598,270,658.67	376,937,934.37
II. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible bonds due within one year	-	-
Fixed assets acquired under finance leases	-	-
III. Net changes in cash and cash equivalents:		
Closing balance of cash	458,682,631.48	361,989,393.61
Less: Opening balance of cash	361,989,393.61	199,711,124.00
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	96,693,237.87	162,278,269.61

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.52 Supplementary information to the cash flow statement (Continued)

5.52.2 Cash and cash equivalents

Item	December 31 st , 2019	December 31 st , 2018
I. Cash	458,682,631.48	361,989,393.61
Including: Cash on hand	-	-
Cash at bank readily withdrawn on demand	458,682,631.48	361,989,393.61
Other currency funds readily withdrawn on demand	-	-
II. Cash equivalents	-	-
Including: debt investment due within three months	-	-
III. Cash and cash equivalent at year end	458,682,631.48	361,989,393.61
Including: restricted cash and cash equivalents of parent company or intergroup subsidiaries	-	-

5.53 Restricted assets on ownership or usage right

Item	Book balance as at December 31 st , 2019	Reasons
Cash and cash equivalents	107,597,174.47	Circulation of deposit is limited
Accounts receivable under financing	67,641,924.66	Pledge for bills payable
Fixed assets	117,072,781.50	Pledge for bank loans
Intangible assets	25,413,993.18	Pledge for bank loans
Total	317,725,873.81	

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.54 Foreign currency item

5.54.1 Foreign currency item

Item	Closing balance as at December 31 st , 2019 of foreign currency	Exchange rate	Closing balance as at December 31 st , 2019 of RMB
Cash and cash equivalents			
Including: USD	11,329,191.28	6.9762	79,034,704.22
EURO	6,027.41	7.8155	47,107.22
HKD	1,507,512.16	0.89578	1,350,399.24
GBP	4,451,772.97	9.1501	40,734,167.85
AUD	21,465.63	4.8843	104,844.58
Accounts receivable			
Including: USD	3,416,497.09	6.9762	23,834,167.01
EURO	85,465.24	7.8155	667,953.59
HKD	617,390.69	0.89578	553,046.23
AUD	106,701.55	4.8843	521,162.38
Accounts payable			
Including: USD	1,009,008.18	6.9762	7,039,042.85
EURO	137,277.40	7.8155	1,072,891.51
GBP	3,090.57	9.1501	28,279.02
AUD	1,836.04	4.8843	8,967.77
YEN	7,453,300.10	0.064086	477,652.19
Other payables			
Including: USD	8,375.05	6.9762	58,426.04
HKD	7,400.00	0.89578	6,628.77

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.55 Government grants

5.55.1 Basic information of government grants

Item	Year 2019	Report account	Including: gains or losses
Refer to "5.43 Other incomes"	70,155,868.46	Other incomes	70,155,868.46
Refer to "5.48.2 Government grants recorded into the current profits and losses"	5,328,496.05	Non-operating incomes	5,328,496.05
Total	75,484,364.51		75,484,364.51

5.55.2 There is no government subsidy refunded in this period.

6 CHANGES IN SCOPE OF CONSOLIDATION

6.1 Other reasons for changes of scope of consolidation

The 9th meeting of the 9th Board of Directors of the Company held on May 30, 2019 reviewed and approved the "Proposal on the Liquidation and Cancellation of the Subsidiary Shanghai SYP Chengding Investment partnership (limited partnership)" and authorized the management of the company to operate the liquidation and cancellation related matters. As of September 28, 2019, all matters related to the liquidation and cancellation of Shanghai SYP Chengding Investment partnership (limited partnership) have been completed.

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

7 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

7.1 Interests in the subsidiaries

7.1.1 Composition of the Group

Full name of subsidiaries	Operating address	Registered address	Business nature	Shares (%)		Acquisition method
				Direct	Indirect	
Tianjin SYP Engineering Glass Co., Ltd.	Tianjin	Tianjin	Manufacturing	-	100	Invested
Jiangsu Pilkington SYP Glass Co., Ltd.	Changshu	Changshu	Manufacturing	50	-	Invested
Changshu SYP Special Glass Co., Ltd.	Changshu	Changshu	Manufacturing	81.399	6.114	Invested
Jiangsu Huadong SYP Glass Co., Ltd.	Changshu	Changshu	Manufacturing	100	-	Invested
Jiangmen SYP Engineering Glass Co., Ltd.	Jiangmen	Jiangmen	Manufacturing	-	100	Invested
Glasslink Limited	Hongkong	Hongkong	Trading and Investing	100	-	Invested
Chongqing SYP Engineering Glass Co., Ltd.	Chongqing	Chongqing	Manufacturing	100	-	Invested
Shanghai SYP Building Glass Co., Ltd.	Shanghai	Shanghai	Manufacturing	71.25	25	Business combination involving entities not under common control
Shanghai SYP Engineering Glass Co., Ltd.	Shanghai	Shanghai	Manufacturing	-	100	Business combination involving entities not under common control
Guangdong SYP Glass Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	-	100	Business combination involving entities not under common control
Tianjin SYP Glass Co., Ltd.	Tianjin	Tianjin	Manufacturing	45.489	22.745	Business combination involving entities not under common control
Shanghai SYP Kangqiao Auto Glass Co., Ltd	Shanghai	Shanghai	Manufacturing	46.24	-	Business combination involving entities under common control
Yizheng SYP Auto Glass Co., Ltd	Yizheng	Yizheng	Manufacturing	-	100	Business combination involving entities under common control
Wuhan SYP Kangqiao Auto Glass Co., Ltd	Wuhan	Wuhan	Manufacturing	-	100	Business combination involving entities under common control
Shanghai SYP Shijin Paste Glass Co., Ltd	Shanghai	Shanghai	Manufacturing	-	51	Business combination involving entities under common control
Shanghai SYP Investment Co., Ltd.	Shanghai	Shanghai	Investing	100	-	Invested
Changshu SYP Auto Glass Co., Ltd.	Changshu	Changshu	Manufacturing	-	100	Invested
Tianjin SYP Auto Glass Co., Ltd.	Tianjin	Tianjin	Manufacturing	-	100	Invested

Note 1: The company holds 50% shares of Jiangsu Pilkington SYP Glass Co. Ltd., (hereafter refer to Jiangsu Pilkington) and was entrusted to manage Jiangsu Pilkington, the company can be appointed and approved Jiangsu Pilkington's key management personnel, leading the economic activities of Jiangsu Pilkington and effectively control Jiangsu Pilkington, so Jiangsu Pilkington was included in the consolidated scope in financial statements as a subsidiary.

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

7 DISCLOSURE OF INTERESTS IN OTHER ENTITIES (CONTINUED)

7.1 Equity in the subsidiaries (Continued)

Note 2: The company held 50.26% shares of Shanghai SYP Kangqiao Auto Glass Co., Ltd. (hereafter refer to Kangqiao Auto Glass) originally. After Pilkington Group Ltd. increased investment in Kangqiao Auto Glass in the year of 2019, the Company holds 46.24% shares of Kangqiao Auto Glass. According to the shareholders agreement on the joint venture contract, the Company controls Kangqiao Auto Glass. Consequently, Kangqiao Auto Glass is within the scope of consolidation.

7.1.2 Important partially-owned subsidiaries

Full name of subsidiaries	Shares portion of minority (%)	Gains and losses attributable to the minority shareholders of 2019	Declaration amount of dividends to minority shareholders of 2019	Closing balance of minority interest
Jiangsu Pilkington SYP Glass Co., Ltd.	50	7,102,635.75	-	-44,437,824.16
Shanghai SYP Building Glass Co., Ltd.	3.75	3,262,205.14	-	32,968,395.26
Tianjin SYP Glass Co., Ltd.	31.766	-14,035,411.14	-	209,765,081.43
Shanghai SYP Kangqiao Auto Glass Co., Ltd.	53.76	7,809,647.88	-	505,275,639.03
Changshu SYP Special Glass Co., Ltd.	12.487	9,504,459.99	-	26,529,096.38

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

7 DISCLOSURE OF INTERESTS IN OTHER ENTITIES (CONTINUED)

7.1.3 Financial information of important partially-owned subsidiaries

Unit: Ten thousand yuan

Subsidiaries' name	December 31 st , 2019						December 31 st , 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiangsu Pilkington SYP Glass Co., Ltd.	17,747.97	43,102.95	60,850.92	49,688.80	20,049.68	69,738.48	15,502.72	46,604.61	62,107.33	43,365.74	29,049.68	72,415.42
Shanghai SYP Building Glass Co., Ltd.	103,332.68	73,794.71	177,127.39	67,234.55	172.57	67,407.12	86,955.08	79,332.46	166,287.54	67,505.69	255.23	67,760.92
Tianjin SYP Glass Co., Ltd.	45,549.68	97,403.94	142,953.62	14,762.61	62,156.55	76,919.16	40,744.49	91,910.23	132,654.72	60,867.40	1,334.48	62,201.88
Shanghai SYP Kangqiao Auto Glass Co., Ltd.	86,534.75	108,887.28	195,422.03	89,936.68	11,331.22	101,267.90	92,572.48	99,558.22	192,130.70	92,623.88	17,488.49	110,112.37
Changshu SYP Special Glass Co., Ltd.	11,987.58	13,614.66	25,602.24	4,356.86	-	4,356.86	8,962.33	13,052.63	22,014.96	9,744.92	-	9,744.92

Subsidiaries' name	Year 2019				Year 2018			
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Jiangsu Pilkington SYP Glass Co., Ltd.	41,241.75	1,420.53	1,420.53	4,886.45	25,392.14	-2,596.52	-2,596.52	3,083.56
Shanghai SYP Building Glass Co., Ltd.	179,422.98	11,402.87	11,402.87	24,862.02	146,922.59	2,559.99	2,559.99	2,363.68
Tianjin SYP Glass Co., Ltd.	58,415.50	-4,418.38	-4,418.38	7,695.60	58,914.59	2,434.25	2,434.25	12,738.00
Shanghai SYP Kangqiao Auto Glass Co., Ltd.	127,063.32	1,456.20	1,456.20	13,770.31	127,329.03	4,151.36	4,151.36	13,310.08
Changshu SYP Special Glass Co., Ltd.	13,291.36	6,275.33	6,275.33	4,205.75	1,027.34	-1,215.87	-1,215.87	4,262.58

Shanghai Yaohua Pilkington Glass Group Co., Ltd.
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7 DISCLOSURE OF INTERESTS IN OTHER ENTITIES (CONTINUED)

7.2 Equity in the associates or joint ventures

7.2.1 Associates

Name of associates	Operating address	Registered address	Business nature	Shares (%)		Accounting methods for associates and joint ventures
				Direct	Indirect	
Beijing Pennvasia Glass Co., Ltd.	Beijing	Beijing	Manufacturing and sales of glass	35.00	-	Equity method
Luanzhou Xiaochuan Glass Silica Sand Co., Ltd.	Luanxian, Hebei Province	Luanxian, Hebei Province	Manufacturing and sales of silica sand	35.00	-	Equity method

7.2.2 Financial information of Associates

Item	Closing balance/Actual amount of 2019	Closing balance/Actual amount of 2018
Book value of investment	-	-
Total amount according to the calculation of the shareholding portion		
Net profit	-3,723,541.85	-1,607,875.17
Other comprehensive income	-	-
Total comprehensive income	-3,723,541.85	-1,607,875.17

7.2.3 The excess loss of associates

Name of associates	Unrealized cumulative losses of prior period	Unrealized loss of the current period (or the net profit shared in the current period)	Unrealized cumulative losses as at Dec 31 st , 2019
Beijing Pennvasia Glass Co., Ltd.	-20,241,455.44	-3,771,727.98	-24,013,183.42
Luanzhou Xiaochuan Glass Silica Sand Co., Ltd.	-1,051,474.60	48,186.13	-1,003,288.47

8 RISK RELATED TO FINANCIAL INSTRUMENTS

The objectives of the Company's risk management are to seek appropriate balance between the risks and earnings, and to minimize the adverse effects that the risks of financial instruments have on the Company's financial performance and maximize the interests of the shareholders and other equity investors. Based on such objectives, the Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate and acceptable risk limits, to conduct risk management and to monitor various risks timely and reliably controlling risks within a limited scope.

The Company encounters various risks related to financial instruments in daily operating activities, including credit risk, liquidity risk and market risk. The management had reviewed and approved policies to manage these risks.

The Company's main financial instruments include financial assets held for trading, investment in other equity instruments, accounts receivable, other receivable, cash at bank and financial liabilities, etc. The financial instruments refer to relevant notes.

8.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to cash at bank and on hand as well as receivables. In order to control the risks above, the measures have been taken as follows:

(1) Cash at bank

The cash at bank of the Company is mainly held with reputable financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Company.

(2) Accounts receivable

The Company continues to conduct credit evaluations of customers who trade on credit. Based on the credit evaluation results, the Company chooses to conduct transactions with approved and creditworthy customers, and monitors the balance of its receivables to ensure that the Company does not face significant bad debt risk.

The company's receivables are relatively scattered, and there is no significant credit concentration risk.

8.1.1 Aging analysis of financial assets that are past due and not impaired

There is no financial assets that are past due and not impaired.

8.1.2 Analysis of financial assets that have suffered individual impairment

Item	Book balance	Amount of impairment	Reasons
Accounts receivable	15,194,675.04	14,121,460.52	hardly collectible or uncollectible
Other receivables	29,614,279.37	29,614,279.37	hardly collectible or uncollectible

8 RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

8.2 Liquidity risk

Liquidity risk is the risk that an enterprise may encounter shortage of fund in meeting obligations that are settled by the delivery of cash or another financial asset. Liquidity risk may result from the inability to sell financial assets at fair value as soon as possible; or from the other party's inability to repay its contractual debt; or from debts due early; or from the inability to generate expected cash flows.

In order to control this kind of risk, the company will comprehensively use a variety of financing methods such as bill settlement, bank borrowing, issuance of bonds and stocks when necessary, and adopt a combination of long-term and short-term financing methods to optimize the financing structure and maintain the balance between financing flexibility and continuity. As of December 31st, 2019, the Company has sufficient liquidity and low liquidity risk.

8.3 Market risk

Market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to market price changes, including exchange rate risk, interest rate risk and other price risks.

8.3.1 Exchange rate risk

Exchange rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in foreign exchange rates. Exchange rate risk may stem from financial instruments denominated in foreign currencies other than the functional currency.

8.3.2 Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. Interest rate risk may stem from confirmed interest-bearing financial instruments and unrecognized financial instruments (such as certain loan commitments).

The loan interest rate of the Company: 4.15%

Assuming that other conditions remain unchanged, if the loan interest rate rises or falls by 10%, it may affect the Company's current net profit of 3.8 million yuan.

8.3.3 Other price risk

Other price risk refers to the risk of fluctuations in market prices other than exchange rate risk and interest rate risk, regardless of whether these changes are caused by factors related to a single financial instrument or its issuer, or factors related to similar financial instruments that trade in the market. Other price risks may stem from changes in commodity prices or equity instrument prices.

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9 THE DISCLOSEURE OF FAIR VALUE

9.1 The closing fair value of assets and liabilities at air value

Item	Fair value at Dec 31 st , 2019			
	The first level measured at fair value	The second level measured at fair value measurement	The third level measured at fair value measurement	Total
Sustaining fair value				
(I) Financial assets held for trading	-	261,000,000.00	-	261,000,000.00
1. Financial assets measured at fair value through profit and loss	-	261,000,000.00	-	261,000,000.00
1.1 Investment in debt instruments - financial product	-	261,000,000.00	-	261,000,000.00
1.2 Investments in equity instruments	-	-	-	-
1.3 Derivative financial assets	-	-	-	-
2. Financial assets designated as at fair value through profit or loss	-	-	-	-
2.1 Investment in debt instruments	-	-	-	-
2.2 Investments in equity instruments	-	-	-	-
(II) Other investment in debt instruments	-	-	-	-
(III) Other investments in equity instruments	-	-	-	-
(IV) Other non-current financial assets	-	-	15,000,000.00	15,000,000.00
(V) Financial assets measured at fair value through other comprehensive income	-	-	349,522,984.45	349,522,984.45
1. Accounts receivable under financing	-	-	349,522,984.45	349,522,984.45
Continues to fair value of total assets	-	261,000,000.00	364,522,984.45	625,522,984.45

9 THE DISCLOSURE OF FAIR VALUE (CONTINUED)

- 9.2 The basis for determining market price measured by continuous and non-continuous fair value of the first level.

Not applicable.

- 9.3 The valuation techniques and qualitative and quantitative information on important parameters used in projects measured by continuous and non-continuous fair value of the second level.

The fair value of the financial product mentioned above is determined by the principal plus the expected return as of the balance sheet date.

- 9.4 The valuation techniques and qualitative and quantitative information on important parameters used in projects measured by continuous and non-continuous fair value of the third level.

Other non-current financial assets mentioned above is the industrial fund the Company invested. The fair value of the fund is determined by the net book value on the balance sheet date which is provided by the invested company. Accounts receivable under financing are debtors' rights that has no quotation in an active market, and its fair value is determined by the net cash flow expected to be recovered.

- 9.5 Adjustment information between the beginning and ending book value and sensitivity analysis of unobservable parameters used in projects measured by continuous fair value of the third level,

Not applicable.

- 9.6 For continuous fair value measurement projects, where conversion between various levels occurs during the period, the reason for the conversion and the policy for determining the timing of the conversion

Not applicable.

- 9.7 Valuation technical changes and reasons for changes during the period

Not applicable.

- 9.8 Fair value of financial assets and financial liabilities not measured at fair value

Not applicable.

- 9.9 Others

Not applicable.

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

10.1 Information on the parent of the Company

Company's name	Place of registration	Nature of business	Registered capital (in RMB ten thousands)	Proportion of shareholdings (%)	Proportion of voting power (%)
Shanghai Building Materials (Group) Corporation	Shanghai	Industrial investments	200,000	30.83	30.83

The ultimate controller of the company: Shanghai Real Estate (Group) Co., Ltd.

10.2 Subsidiaries of the Company

Please refer to the information of subsidiaries of the company in Note 7.1.

10.3 Associates of the Group

Please refer to the information of associates of the company in Note 7.2.

10.4 Other related parties of the Company

Company's name	Relationship
Pilkington International Holdings BV and its related parties	Important equity shareholders
Shanghai Boji Intelligent Curtain Wall Co.,Ltd.	Subsidiary of the parent company
Shanghai Boji Intelligent Curtain Wall Glass New Materials Co.,Ltd.	Subsidiary of the parent company

10.5 Related party transactions

10.5.1 Purchase and sales of goods/ receipt and rendering of services

10.5.1.1 Purchase of goods/receipt of services

Related parties	Nature of transactions	Year 2019	Year 2018
Pilkington International Holdings BV and its related parties	Purchase of equipments	-	114,684.16
Pilkington International Holdings BV and its related parties	Receipt of services	5,340,284.66	3,919,854.26
Pilkington International Holdings BV and its related parties	Interest	-	2,821,255.63
Pilkington International Holdings BV and its related parties	Purchase of materials	-	257,027.23
Shanghai Boji Intelligent Curtain Wall Co.,Ltd.	Rental fee	82,905.36	625,822.09

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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

10.5 Related party transactions (Continued)

10.5.1.2 Sales of goods/rendering of services

Related parties	Nature of transactions	Year 2019	Year 2018
Pilkington International Holdings BV and its related parties	Sales of glass	19,174,660.59	36,599,787.46
Shanghai Boji Intelligent Curtain Wall Co.,Ltd	Sales of glass	8,508,694.44	15,467,836.22
Shanghai Boji Intelligent Curtain Wall Glass New Materials Co.,Ltd.	Sales of glass	10,441,538.20	-

10.5.2 Guarantees

The company is guarantor:

Guaranteed parties	Guaranteed amount	Commencing date	Maturity date	Completed
Wuhan SYP Kangqiao Auto Glass Co., Ltd.	7,000,000.00	2015-05-08	2020-05-08	NO
Wuhan SYP Kangqiao Auto Glass Co., Ltd.	13,000,000.00	2015-06-30	2020-06-30	NO
Wuhan SYP Kangqiao Auto Glass Co., Ltd.	10,390,000.00	2016-02-04	2020-11-16	NO
Tianjin SYP Auto Glass Co., Ltd.	7,650,000.00	2018-09-28	2026-09-09	NO
Tianjin SYP Auto Glass Co., Ltd.	2,000,000.00	2018-10-26	2026-09-09	NO
Tianjin SYP Auto Glass Co., Ltd.	3,800,000.00	2018-11-23	2026-09-09	NO
Tianjin SYP Auto Glass Co., Ltd.	4,500,000.00	2018-11-29	2026-09-09	NO
Tianjin SYP Auto Glass Co., Ltd.	32,000,000.00	2018-12-13	2026-09-09	NO

10.5.3 Key management personnel remuneration

Item	Year 2019	Year 2018
Key management personnel remuneration	10.717 million	8.125 million

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Notes for the Financial Statements of 2019
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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

10.6 Balance due to/from related parties

10.6.1 Balance due from related parties

Item	Name of related parties	December 31 st , 2019		December 31 st , 2018	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Pilkington International Holdings BV and its related parties	191,817.71	2,877.27	1,699,417.65	33,388.36
Accounts receivable	Shanghai Boji Intelligent Curtain Wall Co., Ltd	899,313.03	13,489.70	1,138,945.31	22,778.91
Accounts receivable	Shanghai Boji Intelligent Curtain Wall Glass New Materials Co.,Ltd.	99,686.27	1,495.29	-	-
Other receivables	Luanzhou Xiaochuan Glass Silica Sand Co., Ltd.	16,720,362.20	16,720,362.20	16,720,362.20	16,720,362.20
Other receivables	Beijing Pennvasia Glass Co Ltd.	12,089,114.66	12,089,114.66	12,089,114.66	12,089,114.66
Other receivables	Shanghai Boji Intelligent Curtain Wall Co., Ltd	-	-	100,000.00	5,000.00

10.6.2 Balance due to related parties

Item	Name of related parties	December 31 st , 2019	December 31 st , 2018
		Book balance	Book balance
Accounts payable	Pilkington International Holdings BV and its related parties	28,312,831.16	28,425,184.39
Other payables	Pilkington International Holdings BV and its related parties	79,406,033.16	74,065,748.50
Other payables	Shanghai Building Materials (Group) Corporation	49,500,000.00	3,854,529.56
Long-term payables	Pilkington International Holdings BV and its related parties	90,496,782.56	90,496,782.56
Advances from customers	Shanghai Boji Intelligent Curtain Wall Co., Ltd	2.61	7,895.81

11 COMMITMENTS AND CONTINGENCIES

11.1 Significant commitments

As at December 31st, 2019, the Company did not have significant commitments which have impact on reading and understanding the financial statements..

11.2 Contingencies

As at December 31st, 2019, the Company did not have significant contingencies which have impact on reading and understanding the financial statements..

12 EVENTS AFTER BALANCE SHEET

According to the annual profit distribution plan adopted at 9th session of the board of directors the 15th meeting, the Company plans to use the total share capital registered on the equity registration date as the base for the implementation of the equity distribution in 2019 (the specific date will be specified in the announcement of the implementation of equity distribution) to distribute cash dividends to all shareholders (based on the total share capital of 934,916,069 at the end of 2019) for every 10 shares of RMB0.67 (including tax), amount to RMB 62,639,376.62 (including tax). If the total share capital of the company changes before the equity registration date for the implementation of equity distribution, it is planned to keep the total amount of distribution unchanged, adjust the distribution ratio per share accordingly, and the specific adjustments will be announced separately. No capital reserve will be converted into share capital, and no bonus shares will be sent. The profit distribution plan for the year 2019 will be implemented after approval by the shareholders' meeting.

Except for the above-mentioned events, as at April 8th, 2020, the Company has no significant events after balance sheet that need to be disclosed.

13 OTHER SIGNIFICANT EVENTS

The Company did not have any other important matters in the reporting period which have a significant impact on reading and understanding the financial statements.

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14 NOTES TO THE COMPANY FINANCIAL STATEMENTS

14.1 Accounts receivable

14.1.1 The aging analysis is as follows

Aging	December 31 st , 2019
Within 1 year	2,884.56
Over 1 year but within 2 years	13,130.89
Over 2 years but within 3 years	5,333,327.77
Over 3 years but within 4 years	720,526.94
Over 4 years but within 5 years	836,301.51
Over 5 years	14,591,877.70
Sub-total	21,498,049.37
Less: Provision for bad debts	15,896,068.44
Total	5,601,980.93

14.1.2 Classified disclosure by method of provision for bad debts:

Item	December 31 st , 2019				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Proportions (%)	Amount	Proportions (%)	
Provided for bad debts separately	764,423.72	3.56	764,423.72	100.00	-
Provided for bad debts collectively	20,733,625.65	96.44	15,131,644.72	72.98	5,601,980.93
Including:					
Within the scope of consolidation	5,295,128.48	24.63	-	-	5,295,128.48
Classified by aging	15,438,497.17	71.81	15,131,644.72	98.01	306,852.45
Total	21,498,049.37	100.00	15,896,068.44	73.94	5,601,980.93

Item	December 31 st , 2018				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Proportions (%)	Amount	Proportions (%)	
Individually significant and provided for bad debts separately	-	-	-	-	-
Provided for bad debts according to credit risk	21,185,655.75	96.52	12,971,895.59	61.23	8,213,760.16
Individually insignificant and provided for bad debts separately	764,423.72	3.48	764,423.72	100.00	-
Total	21,950,079.47	100.00	13,736,319.31	62.58	8,213,760.16

Provision for bad debts separately:

Item	December 31 st , 2019			
	Book balance	Rate of expected credit loss	Bad debt provision	Reason
Accounts receivable individually insignificant	764,423.72	100.00%	764,423.72	Uncollectible
Total	764,423.72	100.00%	764,423.72	

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14 NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

14.1 Accounts receivable (Continued)

Provision for bad debts collectively: Classified by aging

Item	December 31 st , 2019		
	Book balance	Rate of expected credit loss	Bad debt provision
Within 1 year (inclusive)	2,884.56	1.50%	43.27
Over 1 year but within 3 years (inclusive)	51,330.18	14.14%	7,260.61
Over 3 years	15,384,282.43	98.31%	15,124,340.84
Total	15,438,497.17	98.01%	15,131,644.72

The company always measures the bad debt provision for the accounts receivable according to the expected credit loss in the whole duration. The expected credit loss rate in the whole duration is calculated based on the historical actual credit loss experience, and takes into account the economic status during the historical data collection period, the current economic status and the economic status in the expected duration.

14.1.3 Provision for the bad debts

Item	December 31 st , 2018	Changes during the reporting period			December 31 st , 2019
		Provision	Recover	Reversal	
Provided for bad debt: collectively	12,971,895.59	2,159,749.13	-	-	15,131,644.72
Provided for bad debt: separately	764,423.72	-	-	-	764,423.72
Total	13,736,319.31	2,159,749.13	-	-	15,896,068.44

14.1.4 There is no recover of provision for bad debts in accounts receivable in this period.

14.1.5 There is no accounts receivable that should be reversal in this period.

14.1.6 Five largest accounts receivable by debtor at the end of the year

Item	Book balance	Proportions (%)	Provision for bad debts
Gross amount of five largest accounts receivable	9,685,022.64	45.05	9,664,063.93

14.2 Other receivables

14.2.1 Other receivables

Item	December 31 st , 2019	December 31 st , 2018
Interest receivable	-	1,345,284.63
Dividends receivable	106,813,456.25	106,813,456.25
Other receivables	341,932,850.72	384,523,349.42
Total	448,746,306.97	492,682,090.30

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14 NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

14.2 Other receivables (Continued)

14.2.2 Interest receivable

Item	December 31 st , 2019	December 31 st , 2018
Entrusted loan	-	1,345,284.63

14.2.3 Dividends receivable

14.2.3.1 Dividends receivable

Item	December 31 st , 2019	December 31 st , 2018
Shanghai SYP Building Glass Co., Ltd.	91,813,456.25	91,813,456.25
Changshu SYP Special Glass Co., Ltd.	15,000,000.00	15,000,000.00
Total	106,813,456.25	106,813,456.25

14.2.3.2 Significant dividends receivable aging more than one year

Item	December 31 st , 2019	Aging	Reasons	Whether the impairment occurred and criterion
Shanghai SYP Building Glass Co., Ltd.	91,813,456.25	Over 5 years	Provide operating capital support for subsidiary	No, the company is operating normally.
Changshu SYP Special Glass Co., Ltd.	15,000,000.00	Over 5 years	Provide operating capital support for subsidiary	No, the company is operating normally.
Total	106,813,456.25			

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14 NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

14.2 Other receivables (Continued)

14.2.4 Other receivables

14.2.4.1 The aging analysis is as follows

Aging	December 31 st , 2019
Within 6 months	27,895,053.09
7-12 months	14,819,933.40
1-2 years	70,366,513.66
2-3 years	23,739,879.67
3-4 years	48,095,564.05
4-5 years	157,050,000.00
Over 5 years	449,637.37
Sub-total	342,416,581.24
Less: provision for bad debts	483,730.52
Total	341,932,850.72

14.2.4.2 Classified by nature

Nature of other receivables	December 31 st , 2019	December 31 st , 2018
Deposits	236,784.00	286,784.00
Exchanges between companies	341,788,000.87	384,444,161.22
Petty cash	391,796.37	258,097.94
Sub-total	342,416,581.24	384,989,043.16
Less: provision for bad debts	483,730.52	465,693.74
Total	341,932,850.72	384,523,349.42

14.2.4.3 Changes in provision for bad debts:

Provision for bad debts	First stage	Second stage	Third stage	Total
	ECL for next 12 months	Lifetime ECL- no credit impairment	Lifetime ECL-credit impairment occurred	
January 1 st , 2019	465,693.74	-	-	465,693.74
January 1 st , 2019 (Changes)	-	-	-	-
-transfer to the second stage	-	-	-	-
-transfer to the third stage	-	-	-	-
-turn back to the second stage	-	-	-	-
-turn back to the first stage	-	-	-	-
Provision	18,036.78	-	-	18,036.78
Reversal	-	-	-	-
Written off	-	-	-	-
Others	-	-	-	-
December 31 st , 2019	483,730.52	-	-	483,730.52

14.2.4.4 There is no recover of provision for bad debts in this period.

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14 NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

14.2 Other receivables (Continued)

14.2.4.5 There is no other receivables that should be reversal in this period.

14.2.4.6 Five largest other receivables by debtor at the end of the year

Customer's name	Nature of other receivables	Amount	Aging	Proportion to gross amount of other receivables	Provision for bad debts
Customer A	Exchanges between companies	232,755,849.63	Within 5 years	67.97%	-
Customer B	Exchanges between companies	53,036,669.65	Within 4 years	15.49%	-
Customer C	Exchanges between companies	44,148,546.00	Within 4 years	12.89%	-
Customer D	Exchanges between companies	6,003,172.18	Within 1 year	1.75%	-
Customer E	Exchanges between companies	5,130,358.68	Within 4 years	1.50%	-
Total		<u>341,074,596.14</u>		<u>99.60%</u>	<u>-</u>

14.3 Long-term equity investment

14.3.1 Long-term equity investment information

Item	December 31 st , 2019			December 31 st , 2018		
	Book balance	Provision for impairment loss	Carrying amount	Book balance	Provision for impairment loss	Carrying amount
Investments in subsidiaries	<u>2,008,879,937.25</u>	<u>-</u>	<u>2,008,879,937.25</u>	<u>2,008,879,937.25</u>	<u>-</u>	<u>2,008,879,937.25</u>

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Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

14 NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

14.3 Long-term equity investment (Continued)

14.3.2 Investments in subsidiaries

Investee	December 31 st ,2018	Additions for the year	Decreases for the year	December 31 st ,2019	Addition of provision for impairment loss	Provision for impairment loss
Tianjin SYP Glass Co., Ltd.	77,040,847.00	-	-	77,040,847.00	-	-
Shanghai SYP Building Glass Co., Ltd.	233,908,515.75	-	-	233,908,515.75	-	-
Glasslink Limited	7,448,940.00	-	-	7,448,940.00	-	-
Jiangsu Pilkington SYP Glass Co., Ltd.	194,768,042.34	-	-	194,768,042.34	-	-
Changshu SYP Special Glass Co., Ltd.	533,425,866.52	-	-	533,425,866.52	-	-
Jiangsu Huadong SYP Glass Co., Ltd.	250,000,000.00	-	-	250,000,000.00	-	-
Chongqing SYP Engineering Glass Co., Ltd	275,000,000.00	-	-	275,000,000.00	-	-
Shanghai SYP Kangqiao Auto Glass Co., Ltd.	337,287,725.64	-	-	337,287,725.64	-	-
Shanghai SYP Investment Co.,Ltd.	100,000,000.00	-	-	100,000,000.00	-	-
Total	2,008,879,937.25	-	-	2,008,879,937.25	-	-

14 NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

14.4 Operating income and operating costs

Item	Year 2019		Year 2018	
	Income	Cost	Income	Cost
Major operations	26,717.78	26,767.78	121,516.75	121,516.79
Other operations	73,037,385.55	58,963,145.79	54,854,336.87	52,947,494.93
Total	<u>73,064,103.33</u>	<u>58,989,913.57</u>	<u>54,975,853.62</u>	<u>53,069,011.72</u>

14.5 Investment income

Item	Year 2019	Year 2018
Gains on disposal of held-for-trading financial assets	6,042,316.84	17,804,513.06
Interest income from entrusted loans	44,434,047.19	44,249,250.16
Total	<u>50,476,364.03</u>	<u>62,053,763.22</u>

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Notes for the Financial Statements of 2019
(All amounts in Rmb Yuan unless otherwise stated)

15 SUPPLEMENTARY INFORMATION

15.1 Schedule of extraordinary gains or losses

Item	Year 2019	Notes
Gains or losses from the disposal of non-current assets, including the reversal of the provision of impairment loss	-9,979,695.56	
Tax allowance and exemption which were approved by overstepping authorities or approved without former approval documents or accidental happened.	-	
Government grants recognized through the profits or losses, except for those closely relating to the Company's normal operations and continuous enjoying based on certain amount or quantity according to the relevant regulations of the State	75,484,364.51	
Payment for the use of state funds which was included in the profits and losses of the reporting period	-	
Gains or losses from Investment cost is less than the fair value of the identifiable net assets of the invested enterprise when the company obtain the subsidiary companies, associated enterprises and joint enterprises.	-	
Gains or losses from nonmonetary assets exchange.	-	
Gains or losses from the assets invested or managed by others	-	
The assets provision caused by irresistible force, e.g. natural disasters	-	
Gains or losses from debt restructuring	-	
Expenses of enterprises restructuring, e.g. find place expenses for unemployed workers, integration costs.	-	
Gains or losses from transaction of the unfair transaction price excess the fair value	-	
Net profit of subsidiaries from the beginning of the current year to the combination date of the business combination under the common control	-	
Gains or losses from the contingencies which unrelated to the company normal business	-	
In addition to the normal operation of the business related to the effective hedging business, gains or losses from changing of fair value of holding trading financial assets and financial liabilities, and gains or losses from disposal of trading financial assets, financial liabilities held for trading and available for sale financial assets.	11,852,546.75	
Reversed receivables of individual impairment test for impairment	-	
Gains from entrusted loans provided to outsiders	-	
Gains or losses from the changes in the fair value model for subsequent measurement of the fair value of investment real estate.	-	
Gains or losses from the one-time adjustment effected in the profits and losses of the current period according to the requirement of the tax, accounting and other laws.	-	
Trustee fee income from be entrusted with the operation	-	
Other extraordinary income and expense besides above listed	-394,753.87	
Other items satisfied the definition of extraordinary gains or losses	-	
Effect of income tax	-999,064.22	
Extraordinary gains or losses attributable to minority shareholders (after tax)	-4,820,266.19	
Total	<u>71,143,131.42</u>	

15 SUPPLEMENTARY INFORMATION (CONTINUED)

15.2 Return on net assets and EPS

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Calculated based on net profit attributable to ordinary equity holders	6.54	0.22	0.22
Calculated based on net profit attributable to ordinary equity holders after extraordinary gains and losses	4.31	0.15	0.15

16 APPROVAL OF FINANCIAL STATEMENTS

The Company and consolidated financial statements were approved by the board of directors and authorized for issue.

SHANGHAI YAOHUA PILKINGTON GLASS GROUP CO., LTD.

Legal representative: Jian Zhao

Accountant in charge: Fei Gao

Head of accounting department: Yupeng Zeng

Date: April 8th, 2020