彩虹集團電子股份有限公司

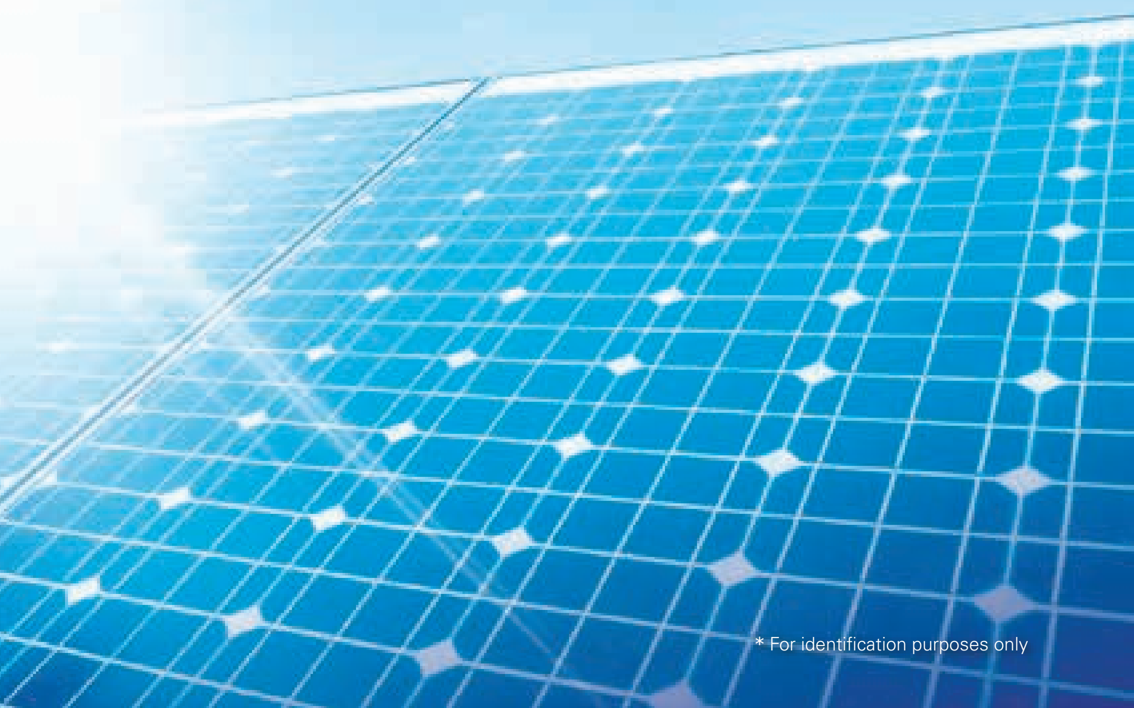
IRICO GROUP ELECTRONICS COMPANY LIMITED*

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

(Stock Code: 0438)

IRICO

2015 INTERIM REPORT



* For identification purposes only

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I. RESULTS HIGHLIGHTS

(RMB'000)	**First half of 2015**	First half of 2014	Increase/ (decrease)	Percentage change *(%)*
Turnover	**843,080**	1,001,120	(158,040)	(15.79)
Gross profit	**23,459**	25,948	(2,489)	(9.59)
Operating loss	**(205,297)**	(18,859)	186,438	988.59
Loss before income tax	**(262,850)**	(97,228)	165,622	170.34
Profit/(loss) for the period from discontinued operation	**1,333,026**	(158,647)	1,491,673	–
Profit (loss) for the period	**1,070,064**	(255,505)	1,325,569	–
Attributable to:				
Equity holders of the Company	**1,238,322**	(133,902)	1,372,224	–
Non-controlling interests	**(168,258)**	(121,603)	(46,655)	(38.37)
Total comprehensive income (expenses) for the period	**1,070,231**	(256,356)	1,326,587	–
Attributable to:				
Equity holders of the Company	**1,238,489**	(134,753)	1,373,242	–
Non-controlling interests	**(168,258)**	(121,603)	(46,655)	(38.37)
Gearing ratio	**84%**	93%	(9)	–

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) CONDITIONS OF THE INDUSTRY

1. Solar photovoltaic

During the reporting period, the solar photovoltaic industry in the world maintained its growing momentum, making China the biggest solar photovoltaic market in the world. In the first half of the year, new domestic installed capacity amounted to 7.73GW. For the photovoltaic glass, due to effect of the market supply exceeding demands, competition has been intensified and sales price experienced continuous downward trend.

Looking into the second half of the year, the solar photovoltaic industry in the world is expected to keep the growth trend. Given the annual installed capacity target of 17.8GW set by China, the installed capacity is expected to increase further in the second half of the year. For the photovoltaic glass, as the market needs increase, the supply-demand relationship is expected to improve; however, as the gradual release of potential production capacity, the competition in the industry remains intense. Leader of the industry and enterprises with high technologies will achieve better development in the future.

2. New electronic materials

During the reporting period, as for electronic silver paste, as the continuous development of the new energy industry, the need for solar battery paste in China, the biggest country in terms of manufacture of solar battery, increased rapidly.

As for lithium battery anode materials, the domestic competition was fierce due to large amount of participants, but the market needs will continue to increase in line with the rapid development of electric vehicles and energy storage battery.

(II) BUSINESS REVIEW

1. Operation highlights

During the reporting period, IRICO Group Electronics Company Limited* (the "Company") and its subsidiaries (collectively, the "Group") achieved a stable growth in the solar photovoltaic glass business and the Hefei photovoltaic project was ignited smoothly; as for the business of new electronic materials business, the sales volume of energy saving lamp phosphors continued to decline, while the sales volume of new materials such as electronic silver paste and lithium battery anode materials increased steadily. In the first half of 2015, the Group's sales revenue amounted to RMB843,080,000, representing a year-on-year decrease of 15.79%. The profit attributable to owners of the Company was RMB1,238,322,000, representing a year-on-year increase of RMB1,372,224,000 (loss attributable to owners of the Company for the first half of 2014 was RMB133,902,000).

During the reporting period, the disposal of 13.5% equity interest in IRICO Display Devices Co., Ltd. ("A Share Company") was completed and the Company ceased to have de facto control on A Share Company, the financial results of which would not be consolidated into the accounts of the Company.

2. Business review

(1) Solar Photovoltaic Business

During the reporting period, the solar photovoltaic glass business of the Group achieved stable development with decent growth in sales volume as compared with the corresponding period of last year. On one hand, the Group has been constantly improving the technique and equipment, adjusting product structure, reducing cost and enhancing efficiency of Xianyang photovoltaic glass. On the other hand, the Hefei photovoltaic glass project was ignited smoothly during the reporting period and is currently under the stable process of trial production. The capacity of the solar photovoltaic glass of the Group ranks top 3 among its domestic peers, which will substantially improve the comprehensive competitiveness of the solar photovoltaic glass business of the Group.

In addition, the Group actively extended to upstream and downstream sectors. In particular, the Hanzhong quartz sand project is under construction, while the Hefei 12GW solar photovoltaic power station project progresses smoothly and is expected to commence operation within this year.

(2) New Electronic Materials Business

During the reporting period, the energy saving lamp phosphors business of the Group continued to decrease following the continuous shrinkage of the industry, electronic silver paste and lithium battery anode materials businesses have both improved steadily, among which, the 1,000-tonne expansion project of lithium battery anode materials is carrying forward smoothly with an expected completion date in the second half of the year.

(3) Trading and Other Businesses

During the reporting period, the Group ensured steady operation of trading and other businesses.

(III) FINANCIAL REVIEW

1. Overall performance

The gross profit margin of the Group for the first half of 2015 was 2.78% and the gross profit margin for the first half of 2014 was 2.59%. The increase in the gross profit margin was mainly attributable to the positive results from the disposal of non-core companies of the Group and the increase in the gross profit margin of liquid crystal related products as compared with the same period of last year. The profit attributable to owners of the Company for the first half of 2015 increased by RMB1,372,224,000 to RMB1,238,322,000, as compared with a loss attributable to owners of the Company of RMB133,902,000 for the first half of 2014, which was mainly attributable to the investment income from the disposal of 13.5% equity interest in A Share Company by the Group during the reporting period.

2. Business results

1) Unaudited profit and loss

(RMB'000)	For the six months ended 30 June 2015	2014	Increase (decrease)	Percentage change (%)
Turnover	**843,080**	1,001,120	(158,040)	(15.79)
Sales of solar photovoltaic glass	**218,696**	211,429	7,267	3.44
Sales of Luminous materials	**110,604**	150,388	(39,784)	(26.45)
Sales of liquid crystal related products	**510,042**	633,955	(123,913)	(19.55)
Others	**3,738**	5,348	(1,610)	(30.10)
Cost of sales	**(819,621)**	(975,172)	(155,551)	(15.95)
Gross (loss) profit	**23,459**	25,948	(2,489)	(9.59)
Operating expenses				
Administrative expenses	**(66,536)**	(58,657)	7,879	13.43
a) General administrative expenses	**(65,225)**	(56,544)	8,681	15.35
b) Research and development expenses	**(1,311)**	(2,113)	(802)	(37.96)
Selling and distribution costs	**(23,016)**	(25,006)	(1,990)	(7.96)
Other operating expenses	**(57,044)**	(341)	56,703	16628.45
Operating loss	**(205,297)**	(18,859)	186,438	988.59
Financing costs	**(56,912)**	(69,368)	(12,456)	(17.96)
Profit (loss) for the period from discontinued operation	**1,333,026**	(158,647)	1,491,673	–
Profit (loss) for the period	**1,070,604**	(255,505)	1,325,569	–
Attributable to:				
Equity holders of the Company	**1,238,322**	(133,902)	1,372,224	–
Non-controlling interests	**(168,258)**	(121,603)	(46,655)	(38.37)
Total comprehensive income (expense) for the period	**1,070,231**	(256,356)	1,326,587	–

2) Turnover

Turnover by product *(RMB: '000)*

Name	For the six months ended 30 June			
	2015	2014	Increase (decrease)	Percentage change *(%)*
Solar photovoltaic glass	**218,696**	211,429	7,267	3.44
Luminous materials	**110,604**	150,388	(39,784)	(26.45)
Liquid crystal related products	**510,042**	633,955	(123,913)	(19.55)
Others	**3,738**	5,348	(1,610)	(30.10)
Total	**843,080**	1,001,120	(158,040)	(15.79)

3. **Changes compared with the corresponding period of last year and reasons**

1) Turnover and gross profit margin

In the first half of 2015, the Group recorded a turnover of RMB843,080,000, representing a decrease of RMB158,040,000, or 15.79% as compared with the corresponding period in 2014. Of which, turnover from solar photovoltaic glass amounted to RMB218,696,000, representing an increase of RMB7,267,000 or 3.44% as compared with the corresponding period in 2014; turnover from luminous materials amounted to RMB110,604,000, representing a decrease of RMB39,784,000 or 26.45% as compared with the corresponding period in 2014; turnover from liquid crystal related products amounted to RMB510,042,000, representing a decrease of RMB123,913,000 or 19.55% as compared with the corresponding period in 2014; and turnover of the others amounted to RMB3,738,000, representing a decrease of RMB1,610,000 or 30.1% as compared with the corresponding period in 2014. The Group's overall gross profit margin increased to 2.78% in the first half of 2015 from 2.59% in the first half of 2014, which was mainly attributable to the positive results from the disposal of non-core companies by the Group and the increase in the gross profit margin of the liquid crystal related products as compared with the same period of last year.

2) Administrative expenses

The Group's administrative expenses for the first half of 2015 increased by RMB7,879,000, or approximately 13.43%, to RMB66,536,000 from RMB58,657,000 for the corresponding period in 2014. The increase in administrative expenses was mainly attributable to the provision for an equity acquisition expense of RMB13,889,000 during the reporting period.

3) Finance costs

The Group's finance costs for the first half of 2015 was RMB56,912,000 (net of interest expense capitalized amounting to RMB12,259,000), representing a decrease of RMB12,456,000, or approximately 17.96% as compared with RMB69,368,000 for the corresponding period in 2014. The decrease in finance costs was mainly attributable to the approved capitalization of interest from the Hefei photovoltaic project during the reporting period.

4. Current assets and financial resources

As at 30 June 2015, the Group's cash and bank balances amounted to RMB115,439,000, representing a decrease of RMB140,423,000, or 54.88% from RMB255,862,000 as at 31 December 2014. For the half year ended 30 June 2015, the Group's capital expenditures amounted to RMB150,497,000 in total (30 June 2014: RMB143,886,000). Net cash from operating activities amounted to RMB(73,360,000) (30 June 2014: RMB43,233,000), while net cash from financing activities and net cash from investing activities were RMB(527,243,000) (30 June 2014: RMB(203,931,000)) and RMB460,013,000 (30 June 2014: RMB(105,480,000)) respectively.

As at 30 June 2015, the Group's total borrowings amounted to RMB1,430,906,000, of which borrowings due within one year amounted to RMB1,182,336,000 and borrowings with maturity beyond one year amounted to RMB248,570,000. As at 31 December 2014, the Group's total borrowings amounted to RMB6,193,509,000, of which borrowings due within one year amounted to RMB4,096,603,000 and borrowings with maturity beyond one year amounted to RMB2,096,906,000. As at 30 June 2015, the Group's bank loans amounting to approximately RMB21,400,000 (31 December 2014: RMB2,224,554,000) were secured by certain land and land use rights, buildings, equipment and trade receivables of the Group.

For the half year ended 30 June 2015, the turnover days for accounts receivable of the Group were 142 days, representing an increase of 47 days as compared with 95 days for the half year ended 30 June 2014. The increase in the turnover days for accounts receivable was mainly attributable to the longer turnover period for receivables of goods affected by the changes in the supply-demand relationship in the photovoltaic glass market. For the half year ended 30 June 2015, the inventory turnover days of the Group increased by 13 days to 39 days from 26 days for the half year ended 30 June 2014, which was mainly attributable to the increase in the inventory reserve due to the adjustment of production and sales scale of photovoltaic glass.

5. Capital structure

As at 30 June 2015, the Group's borrowings were mainly denominated in RMB and US dollars, while its cash and bank balances were mainly denominated in RMB, Hong Kong dollars and US dollars. The Group intends to maintain an appropriate ratio of share capital to liabilities, so as to ensure that an effective capital structure is maintained from time to time. As at 30 June 2015, the Group's total liabilities including bank borrowings amounted to RMB1,430,906,000 in aggregate (as at 31 December 2014: RMB6,193,509,000). Its cash and bank balances amounted to RMB115,439,000 (31 December 2014: RMB255,862,000) and its gearing ratio (i.e. total liabilities divided by total assets) was 84% (31 December 2014: 93%).

6. Interim dividend

As there was no accumulated operation surplus in the first half of 2015, the Board resolved not to distribute any interim dividend.

7. Foreign exchange risk

The Group's income and most of its expenses are denominated in RMB and US dollars. For the six months ended 30 June 2015, the operating costs of the Group increased by RMB57,000 as a result of exchange rate fluctuations (30 June 2014: increased by RMB670,000). The exchange rate fluctuations did not have any material impact on the Group's working capital or liquidity.

8. Commitments

As at 30 June 2015, the capital commitments of the Group amounted to RMB145,782,000 (31 December 2014: RMB1,003,936,000).

9. Contingent liabilities

As of 30 June 2015, the Group had no material contingent liabilities.

10. Pledged assets

As at 30 June 2015, the bank loans of the Group amounted to approximately RMB21,400,000, which were secured by certain leasehold land and land use rights, buildings and equipment of the Group.

As at 31 December 2014, the bank loans of the Group amounted to approximately RMB2,224,554,000, which were secured by certain leasehold land and land use rights, buildings and equipment of the Group.

11. Significant investments and capital assets acquisition plan and related financing arrangement

Acquisition of a further 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited

On 29 September 2011, the Company, Sunlink Power Holdings Co., Ltd., Suzhou Yongjin Investment Co., Ltd. and Suzhou Huilian Solar Energy Technology Co., Ltd (the "Sellers") and the other existing shareholders of Jiangsu Yongneng Photovoltaic Technology Company Limited entered into a share purchase agreement, pursuant to which, among other things, the Company conditionally agreed to acquire and the Sellers conditionally agreed to sell, an aggregate of 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited for a total consideration of RMB105,000,000.

For details, please refer to the announcement of the Company dated 29 September 2011.

As at 30 June 2015, whether the acquisition will be proceeded with is still subject to further confirmation.

III. OTHER INFORMATION

(I) SHARE APPRECIATION RIGHTS PLAN

Pursuant to the Share Appreciation Rights Plan of the Company (details of which were set out in the Company's prospectus dated 8 December 2004), as of 30 June 2015, details of the share appreciation rights of the Company held by the directors of the Company (the "Directors"), the supervisors of the Company (the "Supervisors") and the senior management of the Company are set out as follows:

Name	Number of Share Appreciation Rights *(shares)*	Note
Guo Mengquan	400,000	Director
Zhang Junhua	530,000	Director
Tang Haobo	200,000	Supervisor
Zou Changfu	300,000	Senior Management
Ma Jianchao	200,000	Senior Management
Chu Xiaohang	200,000	Senior Management

(II) INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed in (I) above, as at 30 June 2015, none of the Directors, Supervisors and chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of such Directors, Supervisors or chief executive was deemed or taken to have under such provisions of the SFO), or which was otherwise required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(III) INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor or chief executive of the Company, had an interest or short position in the shares of the Company (the "Shares") or underlying Shares (as the case may be) that were recorded in the register required to be kept under section 336 of the SFO as at 30 June 2015:

China Electronic Corporation, through IRICO Group, had interests in 1,601,468,000 domestic Shares of the Company (representing 100% of the domestic share capital), whereas HKSCC (Nominees) Limited had interests in 628,833,789 H Shares of the Company (representing 99.68% of the H share capital).

Guo Mengquan, Zhang Junhua, Si Yuncong, Huang Mingyan and Jiang Ahe act as the Directors of the Company. Guo Mengquan concurrently acts as the managing director of IRICO Group, Zhang Junhua, Si Yuncong, Huang Mingyan concurrently act as the deputy general managers of IRICO Group, and Jiang Ahe concurrently acts as the deputy chief accountant and the manager of the assets finance department of IRICO Group. Zhu Yiming acts as the Supervisor and chairman of the supervisory committee of the Company, and he concurrently acts as the director, the executive deputy general manager and the chief accountant of IRICO Group.

Notes:

As at 30 June 2015, based on the information available to the Directors and as far as the Directors are aware, HKSCC (Nominees) Limited held 628,833,789 H Shares, among which:

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

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

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

(IV) AUDIT COMMITTEE

In compliance with the provisions set out in the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules, the Company established an audit committee (the "Audit Committee").

The Board adopted all contents set out in code provision C.3.3 of the Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to audit, internal control and financial reporting, including interim financial statements for the six months ended 30 June 2015.

The interim financial report has been reviewed by the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

(V) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

(VI) CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the relevant corporate governance documents adopted by the Company, and is of the opinion that the such documents have incorporated the code provisions as set out in the Code.

The Directors are not aware of any circumstances that would reasonably indicate the non-compliance of the Company or any of the Directors regarding the Code at any time during the six months ended 30 June 2015. The Board considers that the Company has fully complied with the code provisions set out in the Code during the reporting period.

(VII) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

For the six months ended 30 June 2015, the Company has adopted a model code for securities transactions by Directors and Supervisors which is no less strict than the required standard set out in the Model Code. Having made specific enquiry in the reporting period, the Company has confirmed that all Directors and Supervisors have complied with the requirements set out in the Model Code.

(VIII) PURCHASE, SALE OR REDEMPTION OF SHARES

During the reporting period, the Group had not purchased, sold or redeemed any of the issued Shares in the Company.

(IX) EMPLOYEES

As at 30 June 2015, the Group had a total of 1,578* employees with various talents, of which, approximately 11.7% were management and administrative personnel, 10.5% were technical personnel, 2.2% were financial and audit personnel, 1.9% were sales and marketing personnel and 73.7% were production workers.

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

* *Excluding A Share Company.*

(X) PUBLIC FLOAT

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

(XI) SIGNIFICANT INVESTMENTS

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

(XII) MATERIAL ACQUISITION AND DISPOSAL

On 6 February 2015, the Company entered into an agreement with Xianyang Zhongdian IRICO Group Holdings Ltd. ("Xianyang IRICO"), pursuant to which, the Company conditionally agreed to sell, and Xianyang IRICO conditionally agreed to acquire the 99,460,000 shares of A Share Company (accounting for approximately 13.5% of the issued share capital of A Share Company) at a cash consideration of RMB897,129,200 (i.e. RMB9.02 per share). The above mentioned disposal was approved by the independent shareholders of the Company on 13 May 2015 and subsequently filed with and approved by the State-owned Assets Supervision and Administration Commission of the State Council. Upon completion of the disposal within the reporting period, the Company ceased to have de facto control on A Share Company, the financial results of which would not be consolidated into the accounts of the Company. For details, please refer to the circular of the Company dated 20 April 2015.

Save as disclosed in this report, the Group has no other material acquisition or disposal of its subsidiaries and associates during the reporting period.

(XIII) MATERIAL LITIGATIONS

As at 30 June 2015, the Directors were not aware of any new litigation or claim of material importance pending or proposed against any member of the Group save as the claims brought by Fanshawe College against the Company and the A Share Company, claims by Curtis Saunders against the Company and the A Share Company and claims by American Crago Company against the A Share Company as set out in the Company's circular to shareholders dated 21 April 2015.

During the reporting period, there was no update on the pending litigations which were disclosed by the Company previously. In the opinion of the Directors, such cases did not have any material impact on the Group's interim financial statements for the six months ended 30 June 2015. For details of such cases, please refer to the Company's circular to shareholders dated 21 April 2015.

IV. CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Guo Mengquan	*Chairman*
Zhang Junhua	*Vice Chairman*

NON-EXECUTIVE DIRECTORS

Si Yuncong
Huang Mingyan
Jiang Ahe

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xu Xinzhong
Feng Bing
Wang Jialu
Wang Zhicheng

CHIEF FINANCIAL CONTROLLER

Ma Jianchao

COMPANY SECRETARY

Chu Xiaohang

AUTHORIZED REPRESENTATIVES

Zhang Junhua
Chu Xiaohang

LEGAL ADDRESS IN THE PRC

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10 Harcourt Road, Hong Kong

AUDITOR
SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

REGISTRAR OF H SHARES IN HONG KONG
Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor, Hopewell Center
183 Queen's Road East
Hong Kong

INVESTOR AND MEDIA RELATIONS
Wonderful Sky Financial Group Limited
6/F, Nexxus Building
No. 41 Connaught Road Central
Hong Kong

* *The Chinese translation of the interim financial information is for reference only. In case of any discrepancy between the Chinese translation and the original English version, the latter shall prevail.*

INDEPENDENT REVIEW REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

To the board of directors of
IRICO Group Electronics Company Limited
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed interim consolidated financial statements of IRICO Group Electronics Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 92, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT REVIEW REPORT *(Continued)*

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

INDEPENDENT REVIEW REPORT *(Continued)*

EMPHASIS OF MATTER

Without qualifying our review conclusion, we draw attention to the condensed interim consolidated financial statements which indicate that the Group's current liabilities exceeded its current assets by approximately RMB970,178,000 as at 30 June 2015. This condition as set out in Note 2 to the condensed interim consolidated financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

SHINEWING (HK) CPA LIMITED
Certified Public Accountants
Lo Wa Kei
Practising certificate number: P03427

Hong Kong
25 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTES	**Six months ended 30 June** **2015** ***RMB'000*** **(Unaudited)**	2014 *RMB'000* (Unaudited and re-presented)
Continuing operations			
Turnover	4	**843,080**	1,001,120
Cost of sales		**(819,621)**	(975,172)
Gross profit		**23,459**	25,948
Other operating income		**17,699**	39,197
Selling and distribution costs		**(23,016)**	(25,006)
Administrative expenses		**(66,536)**	(58,657)
Other operating expenses		**(57,044)**	(341)
Finance costs	5	**(56,912)**	(69,368)
Impairment loss recognised in respect of the available-for-sale financial asset	12	**(99,859)**	–
Share of loss of associates		**(641)**	(9,001)
Loss before tax		**(262,850)**	(97,228)
Income tax (expense) credit	6	**(112)**	370
Loss for the period from continuing operations	8	**(262,962)**	(96,858)
Discontinued operation			
Profit (loss) for the period from discontinued operation	7	**1,333,026**	(158,647)
Profit (loss) for the period		**1,070,064**	(255,505)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTE	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited and re-presented)
(Loss) profit for the period attributable to the owners of the Company:			
– from continuing operations		**(263,030)**	(104,944)
– from discontinued operation		**1,501,352**	(28,958)
		1,238,322	(133,902)
Profit (loss) for the period attributable to non-controlling interest:			
– from continuing operations		**68**	8,086
– from discontinued operation		**(168,326)**	(129,689)
		(168,258)	(121,603)
		1,070,064	(255,505)
(Loss) earnings per share – Basic and diluted	10		
– from continuing operations		**(0.12)**	(0.05)
– from discontinued operation		**0.67**	(0.01)
– from continuing and discontinued operations		**0.55**	(0.06)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Profit (loss) for the period	**1,070,064**	(255,505)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of a foreign subsidiary	**167**	186
Share of exchange reserve of an associate	**–**	(1,037)
Other comprehensive income (expense) for the period	**167**	(851)
Total comprehensive income (expense) for the period	**1,070,231**	(256,356)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**1,238,489**	(134,753)
Non-controlling interests	**(168,258)**	(121,603)
	1,070,231	(256,356)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	NOTES	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**1,008,091**	6,488,813
Investment properties		**7,547**	10,194
Leasehold land and land use rights		**118,772**	206,200
Intangible assets		**–**	28
Interests in associates		**31,924**	72,040
Available-for-sale financial assets	12	**688,099**	–
Deposits paid for acquisition of property, plant and equipment		**252**	267
		1,854,685	6,777,542
Current assets			
Inventories		**176,289**	232,121
Trade and bills receivables	13	**665,550**	544,165
Other receivables, deposits and prepayments	14	**178,770**	945,783
Tax recoverable		**3,140**	3,140
Restricted bank balances		**67,005**	12,400
Bank balances and cash		**115,439**	255,862
		1,206,193	1,993,471
Non-current assets classified as held for sale	15	**–**	3,663
		1,206,193	1,997,134

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2015

	NOTES	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	16	**567,213**	694,325
Other payables and accruals		**416,913**	716,488
Tax payables		**170**	1,001
Bank and other borrowings – due within one year	17	**1,182,336**	4,096,603
Termination benefits		**9,739**	56,187
		2,176,371	5,564,604
Net current liabilities		**(970,178)**	(3,567,470)
Total assets less current liabilities		**884,507**	3,210,072

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2015

	NOTES	**30 June 2015 *RMB'000* (Unaudited)**	31 December 2014 *RMB'000* (Audited)
Capital and reserves			
Share capital	18	**2,232,349**	2,232,349
Other reserves		**1,343,040**	1,565,585
Accumulated losses		**(3,133,179)**	(4,399,939)
Equity attributable to owners of the Company		**442,210**	(602,005)
Non-controlling interests		**33,456**	1,238,581
Total equity		**475,666**	636,576
Non-current liabilities			
Bank and other borrowings – due after one year	17	**248,570**	2,096,906
Deferred income		**118,895**	396,789
Termination benefits		**34,552**	72,569
Deferred tax liabilities		**6,824**	7,232
		408,841	2,573,496
		884,507	3,210,072

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2015 (Audited)	2,232,349	1,565,585	(4,399,939)	(602,005)	1,238,581	636,576
Profit (loss) for the period	–	–	1,238,322	1,238,322	(168,258)	1,070,064
Other comprehensive income:						
Exchange differences arising on translation of a foreign subsidiary	–	167	–	167	–	167
Total comprehensive income (expense) for the period	–	167	1,238,322	1,238,489	(168,258)	1,070,231
Release on disposal and deregistration of subsidiaries *(Note 23)*	–	(222,712)	28,438	(194,274)	(1,077,598)	(1,271,872)
Acquisition of a subsidiary *(Note a)*	–	–	–	–	40,731	40,731
Balance at 30 June 2015 (Unaudited)	2,232,349	1,343,040	(3,133,179)	442,210	33,456	475,666

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014 (Audited)	2,232,349	1,339,514	(3,592,325)	(20,462)	1,373,587	1,353,125
Loss for the period	–	–	(133,902)	(133,902)	(121,603)	(255,505)
Other comprehensive expense:						
Exchange differences arising on translation of a foreign subsidiary	–	186	–	186	–	186
Share of exchange reserve of an associate	–	(1,037)	–	(1,037)	–	(1,037)
Total comprehensive expense for the period	–	(851)	(133,902)	(134,753)	(121,603)	(256,356)
Partial disposal of a subsidiary *(Note b)*	–	(148,581)	–	(148,581)	291,781	143,200
Deemed capital contribution arising from the disposal of a subsidiary to its parent company *(Note c)*	–	311,770	–	311,770	438,403	750,173
Release on deregistration of subsidiaries	–	–	–	–	(546)	(546)
Further acquisition of a subsidiary	–	(2,556)	–	(2,556)	(12,044)	(14,600)
Dividend paid	–	–	–	–	(2,369)	(2,369)
Balance at 30 June 2014 (Unaudited)	2,232,349	1,499,296	(3,726,227)	5,418	1,967,209	1,972,627

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

Notes:

(a) During the six months ended 30 June 2015, the Group has acquired 51% equity interests in 漢中佳潤澤礦業開發有限責任公司 with consideration of approximately RMB12,242,000 from 陝西佳潤澤實業有限公司.

(b) During the six months ended 30 June 2014, the Group has disposed of 19,000,000 equity shares in aggregate, which represented 2.58% of the total issued shares in IRICO Display Devices Co., Ltd. ("A Share Company") through the open market at aggregated considerations of RMB143,200,000.

(c) During the six months ended 30 June 2014, the Group has disposed of the entire interest in a 51%-owned subsidiary, IRICO (Foshan) Flat Panel Display Co., Ltd.* (彩虹(佛山)平板顯示有限公司) ("Foshan Company") to its parent company, IRICO Group Corporation, at consideration of RMB1. As at the disposal date, Foshan Company was with net liabilities of approximately RMB750,173,000.

* English name for identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	**(132,652)**	(282,433)
Increase in trade and bills and other payables	**60,643**	322,352
Tax (paid) refund	**(1,351)**	3,314
Net cash (used in) from operating activities	**(73,360)**	43,233
Cash flows from investing activities		
Sates proceeds from disposal of a subsidiary *(Note 23)*	**739,782**	–
Purchases of property, plant and equipment	**(150,497)**	(143,886)
Proceeds from disposal of property, plant and equipment	**9,085**	7,872
Purchase of intangible assets	**–**	(56)
Other investing cash flows (net)	**(138,357)**	30,590
Net cash from (used in) investing activities	**460,013**	(105,480)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Bank and other borrowings raised	**1,818,938**	510,053
Repayments of bank and other borrowings	**(2,322,129)**	(689,188)
Other financing cash flows (net)	**(24,052)**	(24,796)
Net cash used in financing activities	**(527,243)**	(203,931)
Net decrease in cash and cash equivalents	**(140,590)**	(266,178)
Cash and cash equivalents at 1 January	**255,862**	821,602
Effect of foreign exchange rate changes	**167**	186
Cash and cash equivalents at 30 June represented by bank balances and cash	**115,439**	555,610

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. GENERAL INFORMATION

IRICO Group Electronics Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 10 September 2004 as a joint stock company with limited liability under the Company Law of the PRC. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2004. The address of its registered office and principal place of business are No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in the manufacturing and trading of luminous materials, liquid crystal related products, thin film transistor liquid crystal display ("TFT-LCD") glass substrate and display devices and solar photovoltaic glass and others.

The directors of the Company consider that IRICO Group Corporation is the Company's parent company. Its ultimate holding company is China Electronics Corporation.

The condensed interim consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

2. BASIS OF PREPARATION

(a) The condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

2. BASIS OF PREPARATION *(Continued)*

(b) The Group had net current liabilities of approximately RMB970,178,000 as at 30 June 2015. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

(i) IRICO Group Corporation, the parent company of the Company, has sufficient financial capability and will actively provide financial support to the Group to meet the Group's liabilities and commitments as and when it falls due; and

(ii) the directors of the Company anticipate that the Group will maintain adequate cash flows for its operations and existing investments or financing needs.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed interim consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed interim consolidated financial statements for the six months ended 30 June 2015 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans Employee Contributions

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or on the disclosures set out in these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company do not anticipate that the application of the amendments included in the Amendment to HKAS 19 will have a material effect on the Group's condensed interim consolidated financial statements.

The Group has not early adopted new and revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as "New HKFRSs") that have been issued but are not yet effective as at 30 June 2015. The directors of the Company anticipate that the adoption of the New HKFRSs will have no material impact on the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

4. SEGMENT INFORMATION

An operating segment regarding the TFT-LCD glass substrate and display devices production and sales business was discontinued in current interim period as a result of disposal of A Share Company, which are described in more detail in Note 23.

The following is an analysis of the Group's revenue and results by reportable and operating segments for continuing operations:

Six months ended 30 June 2015

	Solar photovoltaic glass production and sales *RMB'000* (Unaudited)	Luminous materials production and sales *RMB'000* (Unaudited)	Liquid crystal related products production and sales *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE					
External sales	218,696	110,604	510,042	3,738	843,080
Segment (loss) profit	(36,979)	(628)	1,488	(37,511)	(73,630)
Unallocated income					10,993
Unallocated expenses					(42,801)
Impairment loss recognised in respect of the available-for-sale financial asset					(99,859)
Finance costs					(56,912)
Share of loss of associates					(641)
Loss before tax					(262,850)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

4. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by reportable and operating segments for continuing operations:

Six months ended 30 June 2014

	Solar photovoltaic glass production and sales *RMB'000* (Unaudited)	Luminous materials production and sales *RMB'000* (Unaudited)	Liquid crystal related products production and sales *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE					
External sales	211,429	150,388	633,955	5,348	1,001,120
Segment (loss) profit	(12,579)	2,529	1,579	(29,283)	(37,754)
Unallocated income					20,181
Unallocated expenses					(1,286)
Finance costs					(69,368)
Share of loss of associates					(9,001)
Loss before tax					(97,228)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

4. SEGMENT INFORMATION *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned/loss from each segment without allocation of central administration costs, depreciation of investment properties, directors' salaries, share of loss of associates, impairment losses on investment in an associate, impairment loss recognised in respect of the available-for-sale financial asset, rental income, interest income and finance costs. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

4. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets by reportable and operating segments:

	Solar photovoltaic glass production and sales *RMB'000*	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 30 June 2015 (Unaudited)						
Segment assets	**1,432,387**	**401,973**	**247,060**	**–**	**1,547**	**2,082,967**
Unallocated assets						**977,911**
Total segment assets						**3,060,878**
At 31 December 2014 (Audited)						
Segment assets	1,549,563	402,742	278,823	–	67,097	2,298,225
Assets relating to discontinued operation	–	–	–	5,636,766	–	5,636,766
Unallocated assets						839,685
Total segment assets						8,774,676

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

4. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's liabilities by reportable and operating segments:

	Solar photovoltaic glass production and sales *RMB'000*	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 30 June 2015 (Unaudited)						
Segment liabilities	**499,190**	**138,467**	**98,259**	**–**	**37,932**	**773,848**
Unallocated liabilities						**1,811,364**
Total segment liabilities						**2,585,212**
At 31 December 2014 (Audited)						
Segment liabilities	609,345	151,391	167,533	–	54,032	982,301
Liabilities relating to discontinued operation	–	–	–	1,452,156	–	1,452,156
Unallocated liabilities						5,703,643
Total segment liabilities						8,138,100

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

4. SEGMENT INFORMATION *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segments other than interests in associates, investment properties, available-for-sale financial assets, restricted bank balances, tax recoverable, bank balances and cash and certain unallocated head office assets; and

– all liabilities are allocated to operating segments other than tax payables, deferred tax liabilities, bank and other borrowings and certain unallocated head office liabilities.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on:		
Bank and other borrowings	**36,311**	89,840
Amount due to IRICO Group Corporation	**32,860**	–
Total borrowing costs	**69,171**	89,840
Less: amounts capitalised in the cost of qualifying assets	**(12,259)**	(20,472)
	56,912	69,368

Borrowing costs capitalised during the period arose on general borrowings pool and are calculated by applying a capitalisation rate of 5.42% per annum (six months end 30 June 2014: 6.26% per annum) to expenditure on qualifying assets.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax expense (credit):		
PRC Enterprise Income Tax	**520**	109
Deferred tax	**(408)**	(479)
	112	(370)

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both periods ended 30 June 2015 and 2014.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25% from 1 January 2008 onwards.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

6. INCOME TAX EXPENSE (CREDIT) *(Continued)*

Companies are entitled to the preferential tax treatment for Opening Up of Western China ("OUWC Policy") if they are engaged in the projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development (as amended in year 2000) and Guiding Catalogue for Industrial Structure Adjustment (2011), as their principal business and the revenue from the principal operations account for over 70% of their total revenue. The applicable reduced preferential EIT rate under the OUWC Policy is 15%. From 10 September 2004, date of incorporation of the Company, the operations of the Company have met the requirements under the OUWC Policy, and accordingly, EIT has been provided at 15% since then.

The operation of IRICO Luminous Material Co., Ltd has met the requirements under the OUWC Policy for the six months ended 30 June 2015 and 2014, and accordingly, EIT has also been provided at 15%.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

7. DISCONTINUED OPERATION

On 6 February 2015, the Group entered into a sale agreement to dispose of a subsidiary, A Share Company, and its subsidiaries which carried out all of the Group's TFT-LCD glass substrate and display devices production and sales. The disposal was completed on 29 May 2015. Its results are presented in this condensed interim consolidated financial statements as a discontinued operation.

The profit (loss) for the period from the discontinued operation is analysed as follows:

	1 January 2015 to 29 May 2015 *RMB'000* **(Unaudited)**	1 January 2014 to 30 June 2014 *RMB'000* (Unaudited)
Loss of TFT-LCD glass substrate and display devices production and sales for the period	**(202,219)**	(158,647)
Gain on disposal of TFT-LCD glass substrate and display devices production and sales *(Note 23)*	**1,535,245**	–
	1,333,026	(158,647)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

7. DISCONTINUED OPERATION *(Continued)*

The results of the TFT-LCD glass substrate and display devices production and sales for the period from 1 January 2015 to 29 May 2015, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 January 2015 to 29 May 2015	1 January 2014 to 30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Turnover	**78,623**	68,405
Cost of sales	**(91,142)**	(82,633)
Other operating income	**1,552**	14,574
Selling and distribution costs	**(23,990)**	(13,159)
Administrative expenses	**(57,801)**	(73,253)
Other operating expenses	**(24,395)**	(22,610)
Finance costs	**(85,066)**	(49,971)
Loss before tax	**(202,219)**	(158,647)
Income tax expenses	**–**	–
Loss for the period from discontinued operation	**(202,219)**	(158,647)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

7. DISCONTINUED OPERATION *(Continued)*

	1 January 2015 to 29 May 2015 ***RMB'000*** **(Unaudited)**	1 January 2014 to 30 June 2014 *RMB'000* (Unaudited)
Profit (loss) for the period from discontinued operation include the following:		
Depreciation and amortisation	**14,358**	20,310
Gain on disposal on property, plant and equipment	**714**	3,566
Employee benefit expenses	**18,848**	24,269

During the period from 1 January 2015 to 29 May 2015, A Share Company contributed RMB4,038,000 (2014: RMB145,987,000) to the Group's net operating cash flows, paid RMB213,324,000 (2014: RMB200,682,000) in respect of investing activities and received RMB319,093,000 (2014: RMB646,974,000) in respect of financing activities. The carrying amounts of the assets and liabilities of A Share Company at the date of disposal are disclosed in Note 23.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period from continuing operations has been arrived at after charging (crediting):

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**28**	43
Amortisation of leasehold land and land use rights	**1,511**	1,570
Depreciation of property, plant and equipment	**18,941**	21,949
Depreciation of investment properties	**256**	474
Cost of inventories recognised as an expense	**819,621**	975,172
Employee benefit expenses	**24,802**	27,479
Research and development costs	**1,311**	2,113
Impairment losses on investment in an associate (included in other operating expenses) *(Note a)*	**39,475**	–
Operating lease rentals in respect of leasehold land and land use right	**3,535**	3,928
Operating lease rentals in respect of property, plant and equipment	**3,781**	7,524
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**3,491**	–
Allowance of inventories (included in other operating expenses)	**13,715**	182
Share of tax of associates (included in share of loss of associates)	**4**	13

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS *(Continued)*

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of deferred income on government grants received	**(2,722)**	(3,384)
Cash-settled share-based payments expenses (reversal of)	**655**	(4,114)
Gain on disposal of property, plant and equipment	**(8,159)**	(1,328)
Gain on deregistration of subsidiaries *(Note b)*	**–**	(6,861)
Reversal of impairment losses on trade and other receivables	**(296)**	(881)
Bank interest income	**(70)**	(107)

Note a: During the six months ended 30 June 2015, the directors of the Company have conducted an impairment assessment on the carrying amount of the investment in associates and recognised impairment loss of approximately RMB39,475,000 as the associate had continuously incurred loss.

Note b: During the six months ended 30 June 2014, gain on deregistration of subsidiaries represented the written-back of other payables (2015: nil).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

9. DIVIDEND

No dividends were paid, declared or proposed during both the interim periods. The directors of the Company have determined that no dividend will be paid in respect of both the interim periods.

10. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to the owners of the Company *(RMB'000)*	**1,238,322**	(133,902)
Weighted average number of ordinary shares in issue *('000 shares)*	**2,232,349**	2,232,349

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

10. EARNINGS (LOSS) PER SHARE *(Continued)*

For continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Profit (loss) figures are calculated as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to the owners of the Company	**1,238,322**	(133,902)
Less: profit (loss) for the period from discontinued operation	**1,501,352**	(28,958)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(263,030)**	(104,944)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

10. EARNINGS (LOSS) PER SHARE *(Continued)*

For discontinued operation

Basic and diluted earnings per share for the discontinued operation is RMB0.67 per share (2014: loss of approximately RMB0.01 per share), based on the profit for the period attributable to the owners of the Company from the discontinued operation of RMB1,501,352,000 (2014: loss of approximately RMB28,958,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

Diluted earnings (loss) per share was the same as the basic earnings (loss) per share for both continuing and discontinued operations as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2015 and 2014.

11. CAPITAL EXPENDITURE

During the current interim period, the Group spent approximately RMB150,497,000 (six months ended 30 June 2014: RMB143,886,000) on additions of property, plant and equipment.

Included in the additions to property, plant and equipment,the Group spent approximately RMB45,107,000 (six months ended 30 June 2014: RMB16,583,000) and RMB105,390,000 (six months ended 30 June 2014: RMB127,303,000) the production line of TFT-LCD glass substrate and display devices and solar photovoltaic glass respectively.

During the current interim period, the Group received cash proceeds of approximately RMB9,085,000 (six months ended 30 June 2014: RMB7,872,000) on disposal of property, plant and equipment with carrying values of approximately RMB54,000 (six months ended 30 June 2014: RMB1,562,000).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Equity securities listed outside Hong Kong *(Note a)*	**672,042**	–
Less: impairment loss	**(99,859)**	–
	572,183	–
Unlisted equity securities, at cost *(Note b)*	**115,916**	–
	688,099	–

Notes:

a) As at 30 June 2015, the listed investments substantially comprise of the investment in equity interests in A Share Company, which is directly held as to approximately 4.95% by the Group, and A Share Company is a company listed on the Shanghai Stock Exchange.

b) The unlisted equity securities are 7.30% equity interest issued by a private entity, Shannxi Caihong Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公司), incorporated in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

13. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables (net of accumulated impairment losses of approximately RMB12,926,000) (at 31 December 2014: net of accumulated impairment losses of approximately RMB9,735,000) presented based on the invoice date, which approximately the revenue recognition date, at the end of the reporting period:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**426,072**	367,481
91 to 180 days	**115,404**	140,592
181 to 365 days	**105,132**	32,444
Over 365 days	**18,942**	3,648
	665,550	544,165

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other receivables	**38,037**	52,430
Less: allowance for doubtful debts	**(931)**	(3,643)
	37,106	48,787
Prepayments	**34,917**	51,588
Value-added tax recoverables	**106,747**	845,408
	178,770	945,783

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 30 December 2014, the Company had entered into an asset transfer agreement (the "Agreement") with Xianyang Cailian Packaging Material Company Limited* (咸陽彩聯包裝材料有限公司) ("Xianyang Cailian"), an associate of the controlling shareholder of the Company, pursuant to the Agreement, the Company agreed to sell, Xianyang Cailian agreed to acquire the certain plants and equipments at a cash consideration of approximately RMB9,661,000. The related CPT plants and equipments with carrying amount of approximately RMB3,663,000 are classified as held for sale as at 31 December 2014. Details have been set out in the announcement of the Company date 30 December 2014. The transaction was completed on 10 April 2015.

* English name for identification purpose only

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

16. TRADE AND BILLS PAYABLES

Trade and bills payables are with the following aging analysis presented based on the invoice date at the end of the reporting period:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**357,593**	439,933
91 to 180 days	**58,697**	43,884
181 to 365 days	**122,865**	144,102
Over 365 days	**28,058**	66,406
	567,213	694,325

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

17. BANK AND OTHER BORROWINGS

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans – secured	**62,000**	2,429,767
Bank loans – unsecured and guaranteed	**398,560**	948,233
Other loans – unsecured and guaranteed	**770,346**	2,415,509
Bank loans – unguaranteed and unsecured	**200,000**	400,000
	1,430,906	6,193,509
Carrying amount repayable:		
On demand or within one year	**1,182,336**	4,096,603
More than one year, but not exceeding two years	**248,570**	871,695
More than two years, but not more than five years	**–**	1,225,211
	1,430,906	6,193,509
Less: Amounts shown under current liabilities	**(1,182,336)**	(4,096,603)
Amounts shown under non-current liabilities	**248,570**	2,096,906

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

17. BANK AND OTHER BORROWINGS *(Continued)*

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB1,818,938,000 (30 June 2014: RMB510,053,000) and repayment of borrowings amounting to approximately RMB2,322,129,000 (30 June 2014: RMB689,188,000). For the six months ended 30 June 2015, the bank and other borrowings carry interests ranging from 5.34% to 7.53% per annum (at 31 December 2014: 2.35% to 7.41% per annum), which were used to finance the operations and used for general working capital of the Group.

18. SHARE CAPITAL

A summary of the registered, issued and fully paid capital of the Company is as follows:

	Domestic shares		H shares		Total	
	Number of shares *'000*	Amount *RMB'000*	Number of shares *'000*	Amount *RMB'000*	Number of shares *'000*	Amount *RMB'000*
Registered, issued and fully paid:						
At 1 January 2014 (audited), 31 December 2014 (audited) and 30 June 2015 (unaudited)	1,601,468	1,601,468	630,881	630,881	2,232,349	2,232,349

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

18. SHARE CAPITAL *(Continued)*

The H shares rank pari passu in all respects with the domestic shares and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of any other country other than the PRC. The transfer of the domestic shares is subject to such restrictions as the PRC laws may impose from time to time.

19. RELATED PARTY TRANSACTIONS

The Group is controlled by IRICO Group Corporation (incorporated in the PRC), which owns 71.74% of the Company's shares. The remaining 28.26% of the shares are widely held.

Related parties include IRICO Group Corporation and its subsidiaries (other than the Group), associates and jointly controlled entities (hereinafter collectively referred to the "IRICO Group"), corporations in which the Company is able to control, jointly control or exercise significant influences, key management personnel of the Company and IRICO Group Corporation and their close family members. IRICO Group Corporation does not produce financial statements available for public use.

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during the six months ended 30 June 2015 and 2014 and balances as at 30 June 2015 and 31 December 2014 with related party transactions.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

The following transactions were carried out with related parties:

(a) Sales of goods

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of goods to the IRICO Group *(Note)*		
– Xianyang IRICO Pyroelectric Co., Ltd.	**–**	22
– IRICO Group Labor Service Company	**–**	16
– Shannxi IRICO Photoelectronic Materials Co., Ltd.	**–**	10
– Parent company	**–**	115
– IRICO Color Picture Tube General Factory	**–**	25
– Shanghai Epilight Technology Co., Ltd.	**717**	64
– Xianyang IRICO Solar Photovoltaic Technology Co., Ltd. (formerly known as Xianyang IRICO Digital Display Co., Ltd.)	**–**	2
– Xianyang Cailian Packaging Materials Co., Ltd.	**–**	14
– Shannxi IRICO Electronics Glass Co., Ltd.	**4**	–
– IRICO (Hefei) LCD Glass Co., Ltd.	**–**	6
	721	274
Other state-owned enterprises	**29,831**	23,573

Note: Sales to related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchases of goods from the IRICO Group *(Note i)*		
– IRICO Group Labor Service Company	**131**	212
– Shannxi IRICO Photoelectronic Materials Co., Ltd.	**–**	15
– Xianyang Cailian Packaging Materials Co., Ltd.	**12,909**	10,864
– Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	**2**	738
– IRICO Color Picture Tube General Factory	**–**	6
– Xianyang Zhongdian IRICO Group Holdings Ltd.	**2,353**	–
	15,395	11,835
Other state-owned enterprises	**60,982**	81,516

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services *(Continued)*

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of services provided from the IRICO Group *(Note i)*		
– Utility charges to the utilities plant of the IRICO Color Picture Tube General Factory	**138,817**	122,295
– Utility charges to the utilities plant of the Xianyang IRICO Pyroelectric Co., Ltd.	**–**	268
– Utility charges to the utilities plant of the Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	**337**	109
– Utility charges to the utilities plant of the Xianyang Cailian Packaging Materials Co., Ltd.	**916**	891
– Network fee to parent company	**–**	26
– Rental expense to Xianyang Zhongdian IRICO Group Holdings Ltd.	**8,612**	8,884
– Rental expense to Xianyang Cailian Packaging Materials Co., Ltd.	**–**	200
– Trademark license fee to parent company *(Note ii)*	**113**	229
– Miscellaneous charges to IRICO Color Picture Tube General Factory	**439**	534
– Interest expense paid to parent company	**32,860**	29,534

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services *(Continued)*

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
– Purchase of fixed assets from Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	**–**	20
– Purchase of fixed assets from Hongyang (Shenzhen) Industrial and Trading Co.	**–**	10
– IRICO (Hefei) LCD Glass Co., Ltd.	**922**	–
– IRICO Hospital	**94**	18
	183,110	163,018

Notes:

(i) Purchases of goods and provision of services from related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

(ii) License fee for using the trademark owned by parent company was paid by the Group, at 0.1% of sales based on the terms stipulated in agreements. In accordance with the agreement signed by one of the former subsidiaries, A Share Company, the term is initially for five years from 1998 but renewable automatically unless terminated by either party with a three-month prior notice. In accordance with the agreement signed by the other entities of the Group, the license fee is to be paid from 1 January 2004 and the agreement is for a term of 3 years up to 31 December 2006 unless terminated by either party with a three-month prior notice, and it was renewed for a term of 3 years up to 31 December 2012. On 14 November 2012, the Group entered into an agreement with IRICO Group for terms of three years up to 31 December 2015.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with parent company

(i) Amount due to parent company

	30 June 2015 *RMB'000* (Unaudited)	31 December 2014 *RMB'000* (Audited)
Included in other payables and accruals	**457**	30,832

The balance is unsecured, interest-free and repayable on demand.

(ii) Loans from parent company

	30 June 2015 *RMB'000* (Unaudited)	31 December 2014 *RMB'000* (Audited)
Interest bearing loan	**497,071**	1,623,807

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with parent company *(Continued)*

(ii) Loans from parent company *(Continued)*

The interest bearing loan from parent company is unsecured bear interest at variable rate with reference to the People's Bank of China Prescribed Interest Rate and are repayable on demand. As at 30 June 2015, the effective interest rate is ranging from 5.10% to 5.60% (31 December 2014: 5.60% to 6.16%) per annum.

(iii) Directors' emolument borne by parent company

For the period ended 30 June 2015, the emoluments of all non-executive directors, executive directors and independent non-executive directors were borne by IRICO Group Corporation with aggregated emoluments of approximately RMB199,900 (2014: RMB200,000).

(iv) Guarantees granted or assets pledged by parent company

At 30 June 2015, parent company pledged certain of its land and buildings and granted a guarantee of amount RMB42,000,000 (31 December 2014: RMB3,830,538,000) for certain bank borrowings with carrying amounts of RMB42,000,000 (31 December 2014: RMB2,224,554,000) to the Group.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**964**	646
Retirement benefit contributions	**98**	91
Cash-settled share-based payments expense (income)	**655**	(4,114)
	1,717	(3,377)

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Balances arising from sales/purchases of goods/provision of services

	30 June 2015 **RMB'000** **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade receivables from related parties:		
The IRICO Group		
– Shanghai Epilight Technology Co., Ltd.	**–**	393
– Xianyang Caiqin Electronic Devices Co., Ltd.	**–**	52
	–	445
Other state-owned enterprises	**22,111**	30,461
	22,111	30,906
Representing:		
Trade receivables	**22,111**	30,906

The balance with other state-owned enterprises and its fellow subsidiaries only accounted for approximately 6% (31 December 2014: approximately 6%) of the Group's trade and bills receivables as at 30 June 2015.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Balances arising from sales/purchases of goods/provision of services *(Continued)*

	30 June 2015 ***RMB'000*** **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade payables to related parties *(Note)*:		
The IRICO Group		
– IRICO Group Labor Service Company	**153**	–
– Xianyang Cailian Packaging Materials Co., Ltd.	**9,035**	13,609
– Parent company	**457**	467
– Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	**75**	–
– IRICO Color Picture Tube General Factory	**107,825**	24,693
– Xianyang Caiqin Electronic Devices Co., Ltd.	**4,740**	4,740
– Xianyang Zhongdian IRICO Group Holdings Ltd.	**8,612**	–
– IRICO (Hefei) LCD Glass Co., Ltd.	**1,650**	–
– Hefei Xinhong Optoelectronics Technology Co., Ltd.* (合肥鑫虹光電科技有限公司)	**–**	195
– China Electronics System Engineering No. 3 Construction Co., Ltd.* (中國電子系統工程第三建設有限公司)	**605**	2,862
	133,152	46,566
Other state-owned enterprises	**18,889**	12,373
	152,041	58,939

* English names for identification purpose only

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Balances arising from sales/purchases of goods/provision of services *(Continued)*

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Representing:		
Trade payables	**152,041**	53,939
Trade bills payables	**–**	5,000
	152,041	58,939

The balance with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% (2014: 5%) of the Group's trade and bills payables as at 30 June 2015.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Disposal of subsidiaries

	30 June 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Consideration received from disposal of subsidiariesu A Share Company to Xianyang Zhongdian IRICO Group Holdings Ltd.	**897,129**	–

During the six months ended 30 June 2014, the Group has disposed of the entire interest in a 51%-owned subsidiary, Foshan Company, to its parent company, IRICO Group Corporation, at cash consideration of RMB1.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. RELATED PARTY TRANSACTIONS *(Continued)*

(g) Disposal of plants and equipments

	30 June 2015 ***RMB'000*** **(Unaudited)**	30 June 2014 *RMB'000* (Unaudited)
Consideration received from disposal of plants and equipments to Xianyang Cailian	**9,661**	–

20. COMMITMENTS

Capital expenditure

	30 June 2015 ***RMB'000*** **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Contracted for but not provided in the condensed interim consolidated financial statements:		
Construction of photovoltaic glass production line	**142,642**	1,003,936
Construction of luminous materials production line	**3,140**	–
	145,782	1,003,936

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

20. COMMITMENTS *(Continued)*

Operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	Land use rights		Leasehold buildings	
	30 June 2015	31 December 2014	**30 June 2015**	31 December 2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Within one year	**3,138**	6,275	**8,292**	772
In the second to fifth years inclusive	**–**	–	**608**	965
	3,138	6,275	**8,900**	1,737

Operating lease payments represent rentals payable by the Group for certain of its property, plant and equipment, land use rights and leasehold buildings. Leases are negotiated for an average term of three years respectively and rentals are fixed for an average of one and three years respectively.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

20. COMMITMENTS *(Continued)*

Operating leases *(Continued)*

As lessor

Property held for earning rental income is expected to generate rental yields of 5.5% (six months ended 30 June 2014: 6.7%) on an ongoing basis. All the properties held have committed tenants for the next 1 year to 7 years (six months ended 30 June 2014: 1 year to 8 years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Within one year	**16,603**	9,568
In the second to fifth years inclusive	**15,598**	11,801
	32,201	21,369

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

21. PLEDGE OF ASSETS

At 30 June 2015, certain assets of the Group were pledged to secure bank borrowings granted to the Group as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**21,400**	2,637,358

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30/6/2015 (unaudited) ***RMB'000***	31/12/2014 (audited)		
Listed equity securities classified as available-for-sale financial assets	**572,183**	–	Level 1	Quoted bid prices in active market

There were no transfers into or out in level 1 in both reporting periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed interim consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

23. DISPOSAL OF A SUBSIDIARY

On 6 February 2015, the Group entered into a sales and purchase agreement (the "Agreement") with Xianyang Zhongdian IRICO Group Holdings Ltd. ("Xianyang Zhongdian IRICO"), which is directly held as to 74% by CEC and 26% by IRICO Group. Pursuant to the Agreement, the Group agreed to sell and Xianyang Zhongdian IRICO agreed to acquire 13.5% equity interest in A Share Company at cash consideration of approximately RMB897,129,000. The transaction was completed on 29 May 2015.

In the opinion of the directors of the Company, the Group has lost its ability to control A Share Company during the shareholders' meetings and the board meetings as all the nominated directors ceased to be the directors of A Share Company and thus lost its power over A Share Company to affect the amount of the Group's return. As a result, the equity interest in A Share Company was classified as available-for-sale financial asset.

* English name for identification purpose only

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

23. DISPOSAL OF A SUBSIDIARY *(Continued)*

The consolidated net assets and liabilities of A Share Company and its subsidiaries at the date of disposal as at 29 May 2015 were as follows:

	Total
	RMB'000
Analysis of asset and liabilities disposal of:	
Properties, plant and equipment	5,548,244
Leasehold land and land use right	90,314
Investment properties	2,331
Intangible assets	273
Trade and bills receivables	176,258
Other receivables	30,435
Inventories	140,002
Bank balances and cash	157,347
Trade and bills payable	(858,062)
Other payable	(1,126,007)
Bank and other borrowings	(2,762,018)
Deferred income	(171,677)
	1,227,440

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

23. DISPOSAL OF A SUBSIDIARY *(Continued)*

	Total *RMB'000*
Gain on disposal of subsidiaries:	
Consideration received	897,129
Fair value of the equity interests retained classified as available for-sale financial assets	787,958
Net assets disposed of	(1,227,440)
Non-controlling interests	1,077,598
Gain on disposal	1,535,245

The gain on disposal is included in the profit for the period from discontinued operation (see Note 7).

	Total *RMB'000*
Net cash outflow arising on disposal	
Cash consideration	897,129
Cash and cash equivalents disposed of	(157,347)
	739,782

During the period from 1 January 2015 to 29 May 2015, the A Share Company contributed a loss and cash inflow from operating activities of approximately RMB202,219,000 and RMB4,038,000 to the Group's loss and net cash flows respectively.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24. MATERIAL LITIGATION

(i) The litigation of Curtis Saunders against the Company, A Share Company and IRICO Group Corporation

As set out in the announcement published on the Shanghai Stock Exchange on 25 January 2010 by A Share Company, IRICO Group Corporation, the Company and A Share Company received a statement of claim from Supreme Court of British Columbia in respect of the litigation brought by Curtis Saunders.

Curtis Saunders, the plaintiff, accused approximately 50 global Cathode Ray Tube ("CRT") manufacturers, including IRICO Group Corporation, the Company and A Share Company, of a collusion to manipulate the market and enter into agreements raising the price of CRT to an unreasonable level during the period from 1 January 1995 to 1 January 2008. All these coerced the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Hence, the parties filed a claim for damages. Supreme Court of British Columbia has accepted this claim but there is no judgement or ruling yet.

Upon inspection of the Company, the Company has never sold CRT products in the market of Canada directly or via agency since 1995. The directors of the Company consider that the above litigations will not pose any negative impact on its normal business operation.

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's unaudited condensed interim consolidated financial statements for the period ended 30 June 2015 and audited consolidated financial statements for the year ended 31 December 2014.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24. MATERIAL LITIGATION *(Continued)*

(ii) The litigation of The Fanshawe College of Applied Arts and Technology (hereafter referred as "Fanshawe College") against A Share Company

As set out in the announcement published on the Shanghai Stock Exchange on 7 July 2009 by A Share Company, A Share Company received a statement of claim from Ontario Superior Court of Justice Canada in respect of the litigation brought by Fanshawe College.

Fanshawe College, the plaintiff, accused approximately 30 global CRT manufacturers, including A Share Company, of a conspiracy to maintain, control and stabilise the price of CRT since 1 January 1998, and a collusion to manipulate the market and enter into agreements raising the price of CRT products to an unreasonable level. All these coerced the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Hence, the parties filed a claim for damages. Ontario Superior Court of Justice Canada has accepted this claim but there is no judgement or ruling yet.

Upon inspection of the Company, the Company has never sold CRT products in the market of Canada directly or via agency since 1995. The directors of the Company consider that the above litigations will not pose any negative impact on its normal business operation.

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's condensed interim consolidated financial statements for the period ended 30 June 2015 and audited consolidated financial statements for the year ended 31 December 2014.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24. MATERIAL LITIGATION *(Continued)*

(iii) The litigation of American Crago Company against A Share Company

As set out in the announcement published on the Shanghai Stock Exchange on 30 January 2008 by A Share Company, A Share Company received a statement of claim from the U.S. District Court, Northern District of California in respect of the litigation brought by American Crago Company.

American Crago Company, the plaintiff, accused a various CRT manufacturing enterprises, including A Share Company, of a conspiracy to control the market which was in violation of antitrust law. It was alleged that the plaintiff and other members in the class proceedings paid more than that would have been determined by competitive market and therefore claimed for triple damages. U.S. District Court, Northern District of California has accepted this claim but there is no judgement or ruling yet.

Upon inspection of the Company, the Company has never sold CRT products in the market of USA directly or via agency since 1995. The directors of the Company consider that the above litigations will not pose any negative impact on its normal business operation.

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's condensed interim consolidated financial statements for the period ended 30 June 2015 and audited consolidated financial statements 31 December 2014.