彩虹集團新能源股份有限公司

IRICO GROUP NEW ENERGY COMPANY LIMITED*

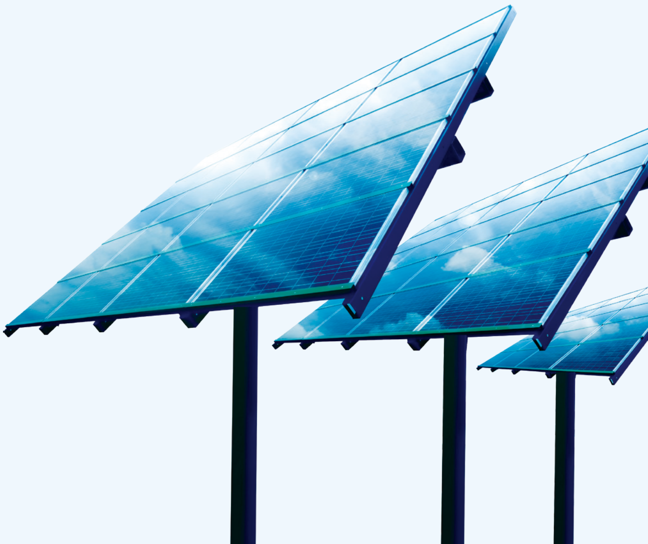
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0438)

2015

ANNUAL REPORT

*For identification purposes only

Contents



Financial Highlights

1. Results

	2015 **(RMB'000)**	2014 (RMB'000)	Increase/ (decrease) (RMB'000)	Percentage (%)
Turnover	**1,485,918**	2,058,719	(572,801)	(27.82)
Cost of sales	**(1,453,783)**	(2,030,067)	576,284	(28.39)
(Gross loss)/gross profit	**32,135**	28,652	3,483	12.16
Gross profit margin *(%)*	**2.16%**	1.39%	0.77%	N/A
Operating (loss)/profit	**(433,253)**	(576,459)	143,206	(24.84)
Operating profit margin	**-29.16%**	-28.00%	-1.16%	N/A
(Loss)/Profit for the year attributable to owners of the Company	**643,996**	(814,280)	1,458,276	(179.09)
Profit margin *(%)*	**43.34%**	-39.55%	82.89%	N/A
(Loss)/Profit per share for the year attributable to owners of the Company *(expressed in RMB per share)*	**0.2885**	(0.3648)	0.6533	(179.08)
Dividend per share *(RMB)*	–	–	–	–

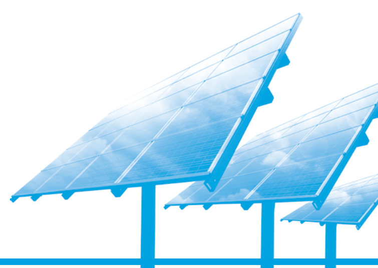
Financial Highlights (Continued)

2. Financial position

	2015 **(RMB'000)**	2014 *(RMB'000)*
Property, plant and equipment	**1,211,724**	6,488,813
Net current liabilities	**(1,371,657)**	3,567,470
Cash and bank balances	**252,596**	255,862
Total liabilities	**3,029,253**	8,138,100
Short-term bank borrowings	**1,466,365**	4,096,603
Total equity	**128,253**	636,576

3. Operating indices

	2015	2014
Returns on equity *(on annualised basis)*	**28.85%**	-36.48%
Inventory turnover *(days)*	**32.00**	41.00
Trade receivable turnover *(days)*	**151.00**	96.00
Trade payable turnover *(days)*	**161.00**	124.00
Current ratio	**0.48**	0.36
Debt to equity ratio	**0.76**	2.77



Chairman's Statement

Dear Shareholders,

I am pleased to present the results of IRICO Group New Energy Company Limited* (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 (the "**reporting period**").

With the great support and help from all walks of life, the Group further confirmed its principal business. Through adjustment and optimization, liquidizing remnant assets and improving solar photovoltaic glass business, the Company invested in and constructed solar power stations and expanded new materials business. As a result, the principal position of new energy and new materials business is further demonstrated. The Company's transformation has achieved initial success and its operation is approaching better results as well.

Si Yuncong
Chairman

Chairman's Statement (Continued)

Business Review

During the reporting period, in respect of new energy, the solar photovoltaic glass business achieved rapid growth. In particular, the production and sales of Xianyang solar photovoltaic glass had reached a new record. The photovoltaic glass project in Hefei with a production volume of 750 tons was put into operation and is currently advancing steadily, which is expected to reach its designed capacity in April 2016, enabling the Group to remain as one of the top three among its domestic peers in respect of solar photovoltaic glass capacity. During the reporting period, the Group completed the construction of Hefei 12MW solar power station and put it into operation, while steadily advancing a new solar photovoltaic power station project. In 2015, the Group completed the acquisition of a quartz sand mine and at the same time was constructing a quartz sand processing plant with an annual output of 150,000 tons, which will reduce the production costs of solar photovoltaic glass of the Group upon completion. The Group has established an industrial chain which is comprised of the quartz sand as the upstream, the solar photovoltaic glass, and the photovoltaic power station as the downstream.

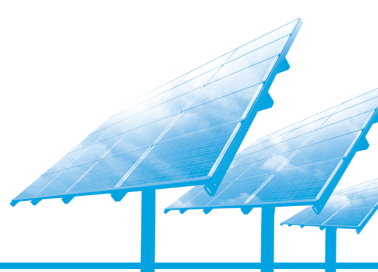
In respect of new materials business, the energy-saving lamp phosphor market continued to decrease and the industrialization of electronic silver paste and lithium battery anode materials and other businesses proceeded steadily, among which, the 1,000-ton/year expansion project of battery anode materials was completed and further extended to upstream lithium battery materials and panel display materials positively.

Future Prospects

Looking into 2016, relying on its background of being a central enterprise and the relevant resources, the Group will strive to develop solar photovoltaic industry, march to the top tier of the business and build it as the first pillar sector of the Group. As for new materials, through focusing on technology and brand accumulation and utilizing the advantages of the Group's supporting facilities and panel display resources, the Group will build it as the second pillar sector. Moreover, conforming to development needs, the Group will develop health care and other modern services in due course, so as to extend its role from a product supplier to a service provider and achieve a comprehensive strategic transformation.

The Group will continue to promote adjustment of assets structure and optimization of personnel structure in order to improve profitability and reward the Shareholders.

During the reporting period, the Chinese name of the Company was changed from "彩虹集團電子股份有限公司" into "彩虹集團新能源股份有限公司" whereas its English name was changed from "IRICO Group Electronics Company Limited*" into "IRICO Group New Energy Company Limited*" and adjustments were also made to its business scope which mainly include solar photovoltaic sector, new materials, medical treatment and health care service.



Chairman's Statement (Continued)

Acknowledgement

I would like to extend my gratitude on behalf of the board of directors (the "**Board**") of the Company and its members (the "**Director(s)**") to our Shareholders (the "**Shareholder(s)**"), business partners and friends of all walks of life for their care and support to the Company, and to express my heartfelt gratitude to all of our management team members and all of our employees for their dedicated hard work.

IRICO Group New Energy Company Limited
Si Yuncong
Chairman

Xianyang, the People's Republic of China
18 March 2016

Management Discussion and Analysis

1. Industry Analysis

(1) Solar Photovoltaic Power Station

During the reporting period, installed capacity of solar photovoltaic reached 57GW around the world, achieving a year-on-year increase of 30%. China's installed capacity of solar photovoltaic was 15GW, representing a year-on-year increase of 42%, and still remained in rapid growth. In 2015, China overtook Germany as the country with the highest installed capacity of solar photovoltaic globally.

Looking into 2016, solar photovoltaic market worldwide will continue to increase and the installed capacity is expected to reach 62GW. In China, installed capacity of solar photovoltaic will exceed 19GW, once again topping the solar photovoltaic market globally.

(2) Solar Photovoltaic Glass

During the reporting period, despite of the constant increase of global installed capacity of solar photovoltaic, solar photovoltaic glass market was oversupplied due to the continuous growth of production capacity.

Looking into 2016, solar photovoltaic glass market demand will remain continuous growth. However, due to the expansion tendency of the frontline solar photovoltaic glass manufacturers, competition in solar photovoltaic glass will remain intensified.

(3) New Materials

As for lithium battery anode materials, under the influence of the country's promotion of electric automobiles and the future development of energy storage battery, market demand for lithium battery anode materials will remain in rapid growth in the long term.

2. Business Review

(1) Operation Summary

In 2015, the Group recorded sales of RMB1,485,918,000, representing a decrease of RMB572,801,000 as compared to the corresponding period of last year. Gross profit was RMB32,135,000, representing an increase of RMB3,483,000 as compared to the corresponding period of last year. Gross profit margin was 2.16%, representing an increase of 0.77 percentage points as compared to that of the previous year (2014: a gross profit margin of 1.39%). Equity attributable to equity owners amounted to RMB644,168,000 compared to loss of RMB814,334,000 for the same period of last year, mainly attributable to the gain of RMB1,308,081,000 from the disposal of 13.5%equity interest in IRICO Display Devices Co., Ltd. (the "**A Share Company**").

Management Discussion and Analysis (Continued)

2. Business Review *(Continued)*

(2) Principal Business Review

During the reporting period, the Group strived to strengthen its solar photovoltaic and the new electronic materials business to improve market share.

During the reporting period, the disposal of 13.5% equity interest in A Share Company was completed successfully 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. The Company will focus on the development of business such as new energy and new materials.

(i) Solar Photovoltaic Business

- Solar photovoltaic glass

  During the reporting period, the solar photovoltaic glass business of the Group experienced rapid growth. Xianyang Photovoltaic Glass Plant implemented a series of measures including increasing the discharging quantity of furnace, improving productivity, improving rate of good product, innovating sales patterns, strengthening the management and control of sales process, etc., resulting in significant increase in volumes of production and sales. The volumes of production and sales respectively increased by 38% and 59% as compared with the same period last year. During the reporting period, the Hefei Photovoltaic Glass Project of the Group was ignited smoothly and put into operation. The daily discharging quantity of its furnace reached 750 tons, being the largest photovoltaic glass furnace that operates under oxygen-fuel combustion conditions in China. The production capacity of solar photovoltaic glass of the Group ranks top 3 in China.

- Solar photovoltaic power station

  During the reporting period, the Hefei 12MW Photovoltaic Power Station of the Group was accepted upon successful connection to the grid, and put into operation. New photovoltaic power station businesses are currently in progress.

- Quartz sand processing

  During the reporting period, the Group successfully acquired a quartz sand mine by acquiring 51% equity of Hanzhong Jiarunze Mining Development Co., Ltd. Meanwhile, the Group constructed a 150,000 t/a quartz sand processing plant to lower the production cost of photovoltaic glass and extend its industrial chain.

2. Business Review *(Continued)*

(2) Principal Business Review *(Continued)*

(ii) New Materials

During the reporting period, the energy-saving lamp phosphors business of the Group continued to decrease following the continuous shrinkage of the industry. Businesses including lithium battery anode material, electronic silver paste, etc. continued on a positive upward path. The project for expansion and renovation of lithium battery anode material was successfully completed. In the same time, efforts were made to extend to upstream materials for panel displays including photoresists, indium tin oxides ("**ITO**") targets, etc.

(iii) Trading and Others Business

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

3. Future Prospects

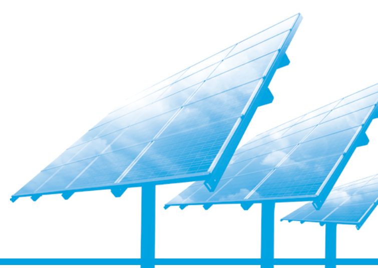
Looking into 2016, the Group will further enhance the development of new energy business such as the solar photovoltaic glass and solar photovoltaic power station business, and, in the mean time, vigorously develop new materials business to drive development of the Group.

The Group will constructively build solar photovoltaic power station resources and make every effort to complete 1GW-2GW quality solar photovoltaic power station projects within the 13th Five Year Plan for National Economic and Social Development. Solar photovoltaic power stations will enable the Group to become the leader of this industry.

In terms of solar photovoltaic glass, the Group will continue to improve the production level and competitiveness of the photovoltaic glass plants in Xianyang and Hefei by adopting a series of developments and researches as well as effective management measures. On the basis of the above, the Group will invest in due course in new solar photovoltaic glass projects to guarantee the strong competitive edge of such business.

In terms of new materials, the Group will continue to advance the scale operation of lithium battery anode material and keep exploring the materials in relation to the LCDs including photoresists, ITO targets, etc., ensuring the supply of products meeting the needs of the LCD sector belonging to China Electronics Corporation ("**CEC**"), a controlling Shareholder of the Group.

Looking into 2016, the Group will further the adjustment and optimization of its assets structure, liquidize its remnant assets, strip off the inefficient assets, improve liabilities structure and be more focused on its main business.



Management Discussion and Analysis (Continued)

4. Financial Review

(1) Results

Profit and loss data for 2011–2015 *(RMB'000)*

	2011	2012	2013	2014	**2015**
Turnover	3,270,348	2,645,213	2,279,758	2,218,276	**1,561,609**
Sales of CPT products, parts and others	511,050	318,701	166,879	20,457	**1,172**
Sales of luminous materials	1,088,734	520,064	352,136	277,418	**192,330**
Sales of liquid crystal related products	1,310,085	1,552,654	1,219,279	1,349,269	**723,862**
Sales of solar photovoltaic glass	355,475	171,827	389,145	424,924	**568,554**
Fushan Flat Panel and glass substrate	5,004	81,967	152,319	146,208	**75,691**
Cost of sales	(3,164,459)	(2,744,232)	(2,214,203)	(2,263,015)	**(1,543,418)**
Gross profit	105,889	(99,019)	65,555	(44,739)	**18,191**
Operating expenses					
Administrative expenses	(325,703)	(522,193)	(450,912)	(420,024)	**(226,769)**
a) General administrative expenses	(306,785)	(503,378)	(441,060)	(414,752)	**(223,123)**
b) Research and development expenses	(18,918)	(18,815)	(9,852)	(5,272)	**(3,646)**
Sales and distribution costs	(86,412)	(66,830)	(84,465)	(80,695)	**(88,620)**
Other operating expenses	(6,776)	(8,883)	(5,927)	(37,139)	**(35,914)**
Operating profit (loss)	(532,671)	(2,959,088)	(182,572)	(1,597,163)	**(550,406)**
Finance costs	(79,736)	(180,632)	(227,029)	(276,938)	**(191,407)**
Profit (loss) attributable to equity holders of the Company	(253,038)	(1,662,002)	(226,352)	(814,280)	**643,996**

Turnover by product *(RMB'000)*

Name	**2015**	2014	Increase/ (decrease)	Change
Sales of CPT products, parts and others	**1,172**	7,108	(5,936)	-83.52%
Sales of luminous materials	**192,330**	277,418	(85,088)	-30.67%
Sales of liquid crystal related products	**723,862**	1,349,269	(625,407)	-46.35%
Sales of solar photovoltaic glass	**568,554**	424,924	143,630	33.80
Total	**1,485,918**	2,058,719	(572,801)	-27.82%

4. Financial Review *(Continued)*

(2) Change over Last Year and Reasons

- *Turnover and gross profit margin*

In 2015, the Group recorded a sales of RMB1,485,918,000, representing a decrease of RMB572,801,000, or 27.82% from the same period of 2014. In particular, sales of luminous materials amounted to RMB192,330,000, representing a decrease of RMB85,088,000 or 30.67% from the same period of 2014; sales of liquid crystal related products amounted to RMB723,862,000, representing a decrease of RMB625,407,000 or 46.35% from the same period of 2014; sales of solar photovoltaic glass amounted to RMB568,554,000, representing an increase of RMB143,630,000 or 33.8% from the same period of 2014; and other sales amounted to RMB1,172,000, representing a decrease of RMB5,936,000 or 83.52% from the same period of 2014. The overall gross profit margin of the Group increased from a gross profit margin of 1.39% in 2014 to 2.16% in 2015, which was mainly attributable to the increase in the sales of photovoltaic glass products during the reporting period.

- *Administrative expenses*

The Group's administrative expenses for 2015 decreased by RMB4,875,000, or 2.8%, to RMB168,937,000 from RMB173,812,000 in the corresponding period of 2014. The decrease in administrative expenses was mainly due to the actual progress made in enhancing expanse management and control by the Company.

- *Finance costs*

The Group's finance costs included in profit and loss for 2015 was RMB106,341,000 (net of interest expense capitalized amounting to RMB12,409,000), representing a decrease of RMB33,193,000, or 23.79%, from RMB139,534,000 in the corresponding period of 2014. The increase in finance costs included in profit and loss was mainly attributable to less borrowings during the year as compared to the same period last year.

Management Discussion and Analysis (Continued)

4. Financial Review *(Continued)*

(3) Current Assets and Financial Resources

As at 31 December 2015, the Group's cash and bank balances amounted to RMB252,596,000, representing a decrease of 1.28% from RMB255,862,000 as at 31 December 2014. For the year ended 31 December 2015, the Group's capital expenditures totalled RMB504,658,000 (31 December 2014: RMB706,141,000). Net cash outflow in operating activities amounted to RMB108,692,000 (31 December 2014: RMB-236,974,000), while net cash outflow in financing activities and net cash inflow in investing activities were RMB-383,562,000 (31 December 2014: RMB-477,851,000) and 271,432,000 (31 December 2014: RMB149,492,000) respectively. As at 31 December 2015, the Group's total borrowings were RMB1,692,985,000, of which borrowings due within one year amounted to RMB1,466,365,000 and borrowings due beyond one year amounted to RMB226,620,000. As at 31 December 2014, the Group's total borrowings were RMB6,193,509,000, of which borrowings due within one year amounted to RMB4,096,603,000 and borrowings due beyond one year amounted to RMB2,096,906,000.

As at 31 December 2015, the Group's bank loans amounting to approximately RMB52,000,000 (31 December 2014: RMB2,224,554,000) were secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net carrying amount of approximately RMB14,720,000 (31 December 2014: RMB2,732,001,000). As at 31 December 2015, the bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB441,620,000 (31 December 2014: RMB557,765,000).

For the year ended 31 December 2015, the turnover days for trade receivables of the Group was 151 days, representing an increase of 55 days as compared to 96 days for the year ended 31 December 2014, which was mainly attributable to the decrease in number of days as a result of the enhanced management and control of photovoltaic glass, the decrease in revenue generated from liquid crystal related products as compared to the same period last year and the shrinkage of luminous materials industry. For the year ended 31 December 2015, the inventory turnover days of the Group was 32 days, representing a decrease of 9 days from 41 days for the year ended 31 December 2014, which was mainly attributable to the management and control of inventory by the Company to consume stock, and reasonably carrying out materials procurement, thus the scale of inventory was effectively controlled.

4. Financial Review *(Continued)*

(4) Capital Structure

As at 31 December 2015, the Group's borrowings were mainly denominated in Renminbi and US dollars, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intends to maintain a suitable ratio of share capital to liabilities, to ensure an effective capital structure. As at 31 December 2015, the liabilities (including bank borrowings and finance lease commitments) of the Group totaled RMB1,692,985,000 (31 December 2014: RMB6,193,509,000); cash and bank balances were RMB252,596,000 (31 December 2014: RMB255,862,000); and the gearing ratio (i.e. total liabilities divided by total assets) was 96% (31 December 2014: 93%).

(5) Dividend

The Company's dividend policy remains unchanged. As there was no retained profit for the year 2015, the Board resolved not to distribute the final dividend for the year ended 31 December 2015, which is pending for approval from the Shareholders at the forthcoming annual general meeting.

(6) Foreign Exchange Risk

The Group's income and most of its expenses are denominated in Renminbi and US dollar. For the 12 months ended 31 December 2015, the operating cost of the Group increased by RMB49,000 (31 December 2014: RMB59,000) as a result of exchange rate fluctuations.

(7) Commitments

As at 31 December 2015, capital expenditure commitments of the Group amounted to RMB4,138,000 (31 December 2014: RMB1,003,936,000), which were mainly financed by the Group's working capital.

(8) Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liability.

(9) Pledged Assets

As at 31 December 2015, the bank loans amounted to approximately RMB52,000,000 (31 December 2014: RMB2,224,554,000), which were secured by certain properties, plants, equipment, land use rights and inventories of the Group with a net carrying amount of approximately RMB14,720,000 (31 December 2014: RMB2,732,001,000).

Management Discussion and Analysis (Continued)

5. Substantial 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 total 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. The disposal has been completed within the reporting period, 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. For details, please refer to the circular of the Company dated 21 April 2015.

During the reporting period, save as disclosed in this announcement, the Company did not have any other material acquisition or disposal of subsidiaries and associated companies.

6. Significant Investments

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

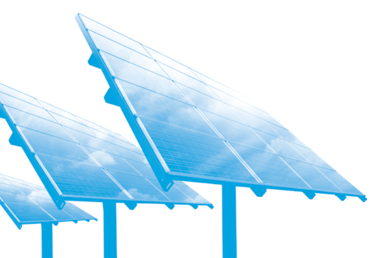
7. Events After the Reporting Period

(1) Change of Company Name

On 24 September 2015, the Board proposed to change the Chinese name of the Company from "彩虹集團電子股份有限公司" to "彩虹集團新能源股份有限公司" and the English name of the Company from "IRICO GROUP ELECTRONICS COMPANY LIMITED*" to "IRICO GROUP NEW ENERGY COMPANY LIMITED*".

The special resolution in respect of the change of the name of the Company was approved by the Shareholders of the Company at the extraordinary general meeting of the Company held on 13 November 2015.

In respect of the change of the name of the Company as mentioned above, the Company has completed all registration procedures at Shaanxi Provincial Administration for Industry and Commerce and the Companies Registry of Hong Kong. The Company has received the new business license dated 28 January 2016 issued by Shaanxi Provincial Administration for Industry and Commerce and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company dated 10 March 2016 issued by the Companies Registry of Hong Kong.



7. Events After the Reporting Period *(Continued)*

(1) Change of Company Name *(Continued)*

The change of the name of the Company will not affect any right of the securities holders of the Company nor affect the ordinary business operation and/or financial position of the Company. For the details on the change of the name of the Company, please refer to the circular of the Company dated 16 October 2015 and the announcements of the Company dated 4 February 2016 and 18 March 2016.

(2) Change of Business Scope

On 24 September 2015, in order to satisfy the business development demand of the Company, the Board proposed to make proper amendments to the business scope of the Company. The special resolution in respect of the change of the business scope of the Company was approved by the Shareholders of the Company at the extraordinary general meeting of the Company held on 13 November 2015. In respect of the change of the business scope of the Company as mentioned above, the Company has completed all registration procedures at Shaanxi Provincial Administration for Industry and Commerce in February 2016.

For the details on the change of the business scope of the Company, please refer to the circular of the Company dated 16 October 2015.

(3) Amendments to Articles of Association

Due to the change of the name and business scope of the Company and the adjustment to the Board, on 24 September 2015, the Board proposed to amend the Articles of Association. The special resolution in respect of the amendments to the Articles of Association was approved by the Shareholders of the Company at the extraordinary general meeting of the Company held on 13 November 2015. In respect of the change of the Articles of Association as mentioned above, the Company has completed all registration procedures at Shaanxi Provincial Administration for Industry and Commerce in February 2016.

For the details on the amendments to the Articles of Association, please refer to the circular of the Company dated 16 October 2015.

Profiles of Directors, Supervisors and Senior Management

Directors

Executive Directors

Si Yuncong	51	Chairman
Zou Changfu	57	

Non-executive Directors

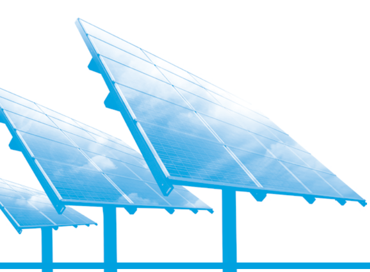
Huang Mingyan*	50
Jiang Ahe*	59

Independent Non-executive Directors

Feng Bing*	49
Wang Jialu*	55
Wang Zhicheng*	41

*: Member of the Audit Committee

Mr. Si Yuncong (司雲聰), aged 51, is the chairman and a non-executive Director of the Company. He joined the Group in May 2013. Mr. Si graduated from Nanjing University of Science & Technology in environmental monitoring, from University of Macau with an MBA and from He Hai University with a doctor's degree in technical economics. Mr. Si is a senior engineer and currently serves as the general manager of IRICO Group Corporation, the chairman of the IRICO Group New Energy Company Limited, a director of IRICO Display Devices Co., Ltd., chairman of Shanghai Epilight Technology Co., Ltd. (上海藍光科技有限公司) and chairman of Hefei Epilight Technology Co., Ltd. (合肥彩虹藍光科技有限公司). He concurrently served as a director of Huadong Electronics Information & Technology Company Limited. He served as the head of the production safety department, assistant to the general manager and the deputy factory manager of East China Electronic Tube Factory (華東電子管廠), the deputy general manager of Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子集團股份有限公司), a member of the Party Committee of Huadong Electronics Group Company (華東電子集團公司), the general manager of Huadong Electronics Information & Technology Co., Ltd. (華東電子信息科技股份有限公司), and an executive director (legal representative) and the general manager of Huadong Electronics Group Co., Ltd. (華東電子集團有限公司).



Directors *(Continued)*

Mr. Zou Changfu (**鄒昌福**), aged 57, is an executive director and the general manager of the Company. He joined the Group in August 1981. Mr. Zou has a bachelor's degree and is a senior engineer. He currently serves as the chairman of Shaanxi IRICO Phosphor Materials Co., Ltd., the chairman of Kunshan IRICO MFG. Co., Ltd., the executive director of Zhuhai Caizhu Industrial Co., Ltd., the chairman of Xianyang IRICO Electronics Parts Co., Ltd., and an executive director of IRICO (Hefei) Photovoltaic Co., Ltd.. He was the head of No. 2 Color Screen workshop, finished product section, quality assurance section and technical and quality section of the glass factory under IRICO Color Picture Tube Plant, the general manager of Hongyang (Shenzhen) Industrial and Trading Company, the general manager of Kunshan IRICO MFG. Co., Ltd., the chairman of Kunshan IRICO Yingguang Electronics Limited Company, and the general manager of the purchase department, the assistant to the president and the vice president of the Company.

Mr. Huang Mingyan (**黃明岩**), aged 50, is a non-executive Director of the Company and joined the Group in May 2013. Mr. Huang graduated from Zhejiang University (浙江大學) with a bachelor's degree in architecture engineering and later from Chongqing Jianzhu University (重慶建築大學) with a master's degree in construction economics and management, Mr. Huang is a senior engineer and currently serves as the deputy general manager of IRICO Group Corporation, a director of Xianyang Zhongdian IRICO Group Holdings Ltd., an executive director and a general manager of Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司), the general manager of China National Electronics Imp. & Exp Caihong Company (中國電子進出口彩虹公司) and an executive director of Xian IRICO Zixun Co., Ltd (西安彩虹資訊有限公司), the chairman of Xianyang Cailian Packing Material Company Limited (咸陽彩聯包裝材料有限公司), the chairman of Xian Guangxin Electronics Co., Ltd. (西安廣信電子有限公司), a director of Infotech Pacific Ventures L.P. and a supervisor of Shanghai Epilight Technology Co., Ltd. He used to work as deputy head of the group work department of China National Real Estate Development Group Corporation (中國房地產開發集團公司), the general manager of the property department of China Electronics Corporation (中國電子信息產業集團公司), the general manager of China Electronics Technology Applications Corporation (中國電子技術應用公司) and the general manager and the Party secretary of China Electronics Industry Development Corporation (中國電子產業開發公司).

Mr. Jiang Ahe (**姜阿合**), aged 59, is a non-executive Director of the Company and joined the Group in November 1992. Mr. Jiang graduated from Wuhan Logistics Institute of the PLA (解放軍武漢後勤學院) with a diploma in accounting and is an international certified practising accountant (國際註冊高級會計師). Mr. Jiang currently serves as the vice chief accountant and the manager of the assets finance department of IRICO Group Corporation. He used to work as the finance manager of Zhuhai Caizhu Industrial Co., Ltd. (珠海彩珠實業有限公司), the chief accountant of Xi'an IRICO Electronic Industrial Co., Ltd. (西安彩虹電器工業有限責任公司) and the financial controller of IRICO Display Devices Co., Ltd..

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors *(Continued)*

Mr. Feng Bing (**馮兵**), aged 49, is an independent non-executive Director of the Company, currently the chairman of Shanghai Dare Technologies Co., Ltd. (上海大亞科技有限公司), the chief strategy officer of Dare Group (大亞集團首席戰略官) and the chief executive officer of HomeLegend, whose headquarters are located in Georgia, USA. Mr. Feng has served as an executive member for China Mergers & Acquisition Association (中國併購公會) and the deputy director for its Jiangsu branch since 2002. He joined the Group in September 2004. He obtained his master's degree in engineering from Calculation Technology Research Institute of Chinese Academy of Sciences (中國科學院計算技術研究所) and his master of science degree in finance from the School of Management at Syracuse University. He was an executive director of and partner with China Financial and Consulting Company (中華財務諮詢公司), a senior manager of Deloitte Consulting in New York, USA, and a part-time tutor of the Faculty of Commerce at Syracuse University.

Mr. Wang Jialu (**王家路**), aged 55, is an independent non-executive Director of the Company and a partner of Commerce & Finance Law Office (通商律師事務所). Mr. Wang joined the Group in September 2004. He completed his course for master's degree in business administration from Guanghua Management College of Peking University and the course for juris doctor from Marburg University of Germany, and received his MBA degree from Peking University and his LLM degree from the Law School of Marburg University of Germany. He is an arbitrator in China International Economic and trade Arbitration Commission (中國國際貿易仲裁委員會), an arbitrator in the Beijing Arbitration Commission (北京仲裁委員會) and an adjunct lecturer for master's degree course in the Law Faculty of Peking University.

Mr. Wang Zhicheng (**王志成**), aged 41, is an independent non-executive Director of the Company. He is a PhD in management (accounting), a teacher of Beijing National Accounting Institute (北京國家會計學院), a tutor of postgraduates, and a PRC certified public accountant. He is also an independent director of Beijing Autelan Technology Co., Ltd. (北京傲天動聯技術股份有限公司), an independent director of Bomesc Marine Engineering Co., Ltd. (博邁科海洋工程股份有限公司), an independent director of Beijing Timeloit Technology Co., Ltd. (北京時代凌宇科技股份有限公司) and an independent director of Cangzhou Mingzhu Plastic Co., Ltd. (滄州明珠塑料股份有限公司). He formerly served as the manager of the enterprise risk management services department in one of the big four international accounting firms and a non-executive director of Beijing Guodian SolarWe Clean Energy Technology Co., Ltd. (北京國電四維清潔能源技術有限公司). Mr. Wang has engaged in the trainings in respect of enterprise risk management and internal control, budget management, and accounting standards for a long period at Beijing National Accounting Institute (北京國家會計學院) and Xiamen National Accounting Institute (廈門國家會計學院).

Profiles of Directors, Supervisors and Senior Management (Continued)

Supervisors

Zhu Yiming	53	Shareholder Supervisor, Chairman of the Supervisory Committee
Tang Haobo	56	Staff Supervisor
Zhao Lefei	47	Staff Supervisor
Sun Haiying	72	Independent Supervisor
Wu Xiaoguang	58	Independent Supervisor

Mr.Zhu Yiming (**朱以明**), aged 53, is a Shareholder supervisor and the chairman of the Supervisory Committee and joined the Group in May 2013. Mr.Zhu graduated from Hangzhou Institute of Electronics and Engineering (杭州電子工業學院) with a master's degree in finance and management engineering and is a senior accountant. Mr.Zhu currently serves as the assistant to the general manager of China Electronic Corporation (中國電子信息產業集團有限公司), a director and the Party secretary of IRICO Group Corporation, the chairman of the supervisory committee of IRICO Display Devices Co., Ltd., and the chairman of the supervisory committee of Shanghai Languang Technology Co.Ltd. (上海藍光科技有限公司). He served as deputy general manager and general manager of the Finance and Property Management Department and general manager of the Finance Department of China Electronic Corporation, deputy chief economist of China Electronic Corporation, deputy general manager (executive)and the Party secretary of Nanjing Electronics Information Industrial Corporation (南京中電熊貓信息產業集團有限公司), the chairman of Amoi Electronics Co., Ltd. (夏新電子有限公司), and the chairman (legal representative) and provisional Party secretary of China Electronics Financial Co., Ltd. (中國電子財務有限公司).

Mr. Tang Haobo (**唐浩波**), aged 56, is a staff supervisor of the Company. He joined the Group in August 1981. Mr. Tang graduated from Xi'an School of Radio Industry (西安無線電工業學校) majoring in radio with the educational background of secondary technical school, and then obtained a tertiary diploma in corporate management from IRICO University for Staff and Workers. Mr. Tang is currently the general manager of the investment operation and management department and once held positions including vice head of the motor driving section and head of the equipment design office of the No. 2 Colour Picture Tube Factory, deputy general manager of Shenzhen IRICO Huangqi Company Limited (深圳彩虹皇旗公司), vice head of No. 1 Colour Picture Tube Factory, manager of IRICO Equipment Company Limited, vice head of IRICO Electron Gun Factory (彩虹電子槍廠), and vice general manager of operation department of the Company.

Mr. Zhao Lefei (**趙樂飛**), aged 47, is a staff supervisor of the Company and joined the Group in November 1990. Mr. Zhao obtained a bachelor's degree from Xianyang Normal University (咸陽師範學院). He currently serves as the secretary of the disciplinary committee, the chairman of the labor union and the deputy director (in charge of the overall work) of the office of the party and labor relations (黨群辦) of the Company. Mr. Zhao successively served as an office member of the youth league committee office of CPT Plant (彩虹彩色顯像管總廠), the human resources manager of Haikou IRICO Hot Spring Hotel (海口彩虹溫泉大酒店), a member of the organisation department of the party committee (黨委組織部) and a director assistant of the disciplinary inspection and supervision division (紀檢監察處) of IRICO Group Corporation* (彩虹集團公司), the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations of IRICO Spare Parts Factory* (彩虹零件廠), and the secretary of the disciplinary committee, the chairman of the labor union and the director of the integrated management department (綜合管理部) of Xi'an IRICO Xinxi Co., Ltd.* (西安彩虹信息有限公司).

Profiles of Directors, Supervisors and Senior Management (Continued)

Supervisors *(Continued)*

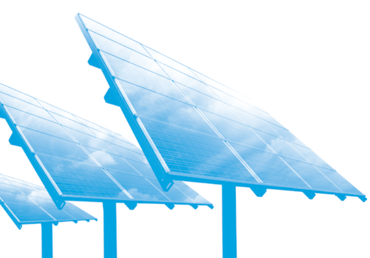
Mr. Sun Haiying (**孫海鷹**), aged 72, is an independent supervisor of the Company and joined the Group in September 2004. Mr. Sun graduated from the Northwest University (西北大學) in geography. He is currently the head and a professor of the Environmental Science and Engineering Centre of Xi'an Jiao Tong University (西安交通大學) and a deputy executive chairman of China Science, Technology and Finance Promotion Association (中國科技金融促進會). He was a director of the Shaanxi Province Meteorological Bureau (陝西省氣象局), the director of Shaanxi Province Science and Technology Department (陝西省科學技術廳). He was a group leader of the Regional Science and Technology Development Group under the State Mid-and Long term Science and Technology Development Planning Team (國家中長期科學和技術發展規劃區域科技發展專題組) in July 2003.

Ms. Wu Xiaoguang (**吳曉光**), aged 58, is an independent supervisor of the Company and joined the Group in September 2004. Ms. Wu received her bachelor's degree in economics from the Economic Management College of Northwest University (西北大學). She was a post graduate majoring in accounting in School of Management of Xi'an Jiao Tong University (西安交通大學), and was awarded a master's degree of business administration upon graduation from the Faculty of Business of The Hong Kong Polytechnic University (香港理工大學). Ms. Wu is currently an associate professor of the School of Management at Xi'an Jiao Tong University and the head of the ACCA (Association of Chartered Certified Accountants) Project Centre, an independent director of Nanjing Baose Co., Ltd., (南京寶色股份公司) and an independent director of Shaanxi Qinchuan Machinery Development Co., Ltd. (陝西秦川機床工具集團有限公司).

Other Senior Management

Hong Yuan	55	Deputy general manager
Ma Zhibin	51	Deputy general manager
Chen Xiaoning	40	Deputy general manager
Yuan Guanqing	45	Deputy general manager
Gu Qiang	37	Chief financial officer
Chu Xiaohang	46	Company Secretary

Mr. Hong Yuan (**洪淵**), aged 55, is a deputy general manager of the Company and joined the Group in August 1982. Mr. Hong obtained a bachelor's degree and is a senior engineer at a researcher level. Mr. Hong served as the vice head of the motor-driving section, head of workshop of melting and assembling, head of technical section, head of comprehensive management office of Glass Panel Technology Reform Project, assistant to the head and vice head of IRICO Glass Factory of IRICO Group Corporation, general manager of Human Resources Department of the Company, manager of Human Resources Department of IRICO Group Corporation, general manager of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹（張家港）平板顯示有限公司), deputy general manager of IRICO Display Devices Co., Ltd., head of Photovoltaic Glass Factory (光伏玻璃廠) under the Company and assistant to the president of the Company.



Other Senior Management *(Continued)*

Mr. Ma Zhibin (**馬志斌**), aged 51, is the deputy general manager of the Company and joined the Group in July 1987. Mr. Ma graduated from Shanghai Construction Materials College (上海建材學院) with college education background. He is an engineer and a Party member. He currently serves as the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. Mr. Ma formerly served as the technician specializing in melting, engineer, assistant to the head of workshop, vice head of the workshop, head of the work shop and Party branch secretary of a glass factory and the vice head of a glass factory of the Company; the vice general manager and Party secretary of IRICO Zhangjiagang Flat Panel Display Company Limited (彩虹張家港平板顯示有限公司), the vice head, the head, the Party secretary and other positions in Photovoltaic Glass Factory of the Company.

Mr. Chu Xiaohang (**褚曉航**), aged 46, is the Company Secretary of the Company. He is responsible for the securities management, legal matters and investor relations of the Company. Mr. Chu joined the Group in July 1991. Mr. Chu graduated from Northwest University (西北大學) with a bachelor's degree in computer science and is a senior engineer. He obtained a master's degree in project management from the Graduate School of Chinese Academy of Sciences. He served as a senior project management engineer in the strategic planning department of IRICO Group Corporation and head of the office of the board of directors of the Company. He acted as our Joint Company Secretary from November 2009 to November 2012. In November 2012, he was appointed as the sole Company Secretary.

Mr. Chen Xiaoning (**陳曉甯**), aged 40, a deputy general manager of the Company, joined the Group in July 1996. He graduated from Northwest University with an MBA degree and he is a member of the Chinese Communist Party and a senior economist. He currently serves as a deputy general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and a deputy general manager of the Hefei IRICO New Energy Company Limited. He served as a technician, a group leader and a plant secretary of No. 1 IRICO Color Picture Tube Plant, the head of secretariat office, the head of administrative office and an administrative assistant to the general manager of IRICO Group Corporation, a deputy head and the head of the office of the Company, the deputy head and a secretary of discipline inspection commission of IRICO Photovoltaic Glass Factory, deputy head of the office of Board and office of general manager as well as the assistant to the deputy general manager of the Company.

Mr. Yuan Guanqing (**袁官清**), aged 45, a deputy general manager of the Company, joined the Group in February 2016. He graduated from the School of Economics & Management of Southeast University with a master's degree in marketing and sales management. He is a member of the Chinese Communist Party and an economist. He currently serves as the general manager of the business department of the power station of the Company. He served as an engineer of the tools and moulds factory, a sino-foreign joint venture manager of international cooreration department, an economist of investment and development department of Nanjing Hua Dong Electronic Group, the general manager of Nanjing Hua Dong Electronic Group Hong Kong Hua Jing Chen Technology Company Limited, an assistant to the head and deputy department head of the export and import department of Nanjing Hua Dong Electronics Group Limited, the vice general manager and general manager of Nanjing Huadong Electron Import & Export Limited Company, and the head of import and export department of Nanjing Hua Dong Electronics Group Limited.

Profiles of Directors, Supervisors and Senior Management (Continued)

Other Senior Management *(Continued)*

Mr. Gu Qiang (谷强), aged 37, the chief financial officer of the Company, joined the Group in November 2015. He graduated from Xi'an Jiaotong University with a bachelor's degree in accounting, is a member of the Chinese Communist Party and an accountant. He served as the head of the accounting department of Northwestern Electric Power Design Institute and the financial supervisor of Xi'an National Civil Aeronautics Industrial Base Development Company Limited, the financial manager of Huawei Technology Limited, the chief financial officer of Xi'an Juguang Technology Company Limited and an assistant to the chief financial officer of the Company.

Changes of Particulars of Directors, Supervisors and General Manager

Pursuant to the Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), the changes of particulars of Directors, supervisors and general manager during the reporting period are set out below:

Mr. Guo Mengquan has ceased to serve as an executive Director of the Company since November 2015.

Mr. Zhang Junhua has ceased to serve as an executive Director of the Company since November 2015.

Mr. Xu Xinzhong has ceased to serve as an independent non-executive Director of the Company since November 2015.

Mr. Si Yuncong has served as the Chairman and an executive Director of the Company since September 2015.

Mr. Zou Changfu has served as an executive Director of the Company since November 2015.

Mr. Ma Jianchao has ceased to serve as the chief financial officer of the Company since April 2016.

Mr. Chen Xiaoning has served as a deputy general manager of the Company since April 2016.

Mr. Yuan Guanqing has served as a deputy general manager of the Company since April 2016.

Mr. Gu Qiang has served as the chief financial officer of the Company since April 2016.

Report of the Directors

The Board hereby presents the report of the Directors and the audited financial report of the Group for the year ended 31 December 2015 to the Shareholders.

Principal operations

The Group is principally engaged in the construction and operation of solar power station, the R&D, production and sales of solar photovoltaic glass, solar battery elements and related products, photovoltaic glass upstream quartz sand processing, lithium battery upstream materials and related materials of flat panel display.

Business review and future development

During the reporting period, the Group rendered a rapid growth in the capacity of solar photovoltaic glass and built solar photovoltaic cells resources while completing the production extension and reformation of lithium battery anode materials with an active approach to develop the upstream materials for panel displays including photoresists, indium tin oxides ("**ITO**") targets, etc.

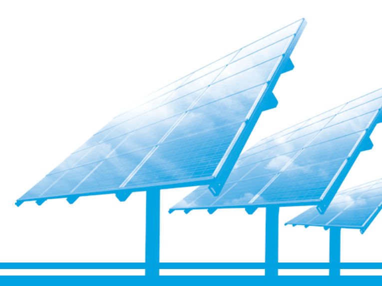
The Group formulated guiding ideas and development strategies for the "Thirteenth Five-Year Plan". The Group will strive to become an advantageous enterprise with certain competiveness in the new energy and new material field, as well as a domestic green energy service provider and a mainstream supplier for new materials.

Major risks and uncertainties

In 2015, the overall photovoltaic market realized a stable growth. As photovoltaic glass is still oversupplied, the trade receivables of photovoltaic glass of the Company incurred certain risks. As such, the Company enhanced the research and judgement of the industry situation and monitored the tracking of debtors' production and operation while adopting various measures for customers with higher receivable risk in order to control the overall receivable risk within the normal standard.

Environmental protection policy

For the corporate's survival and development, the Group will perform the corporate social responsibility and strictly comply with the Environmental Protection Law of the People's Republic of China and requirements of environmental protection under other applicable laws and regulations. By solidifying environmental protection technological improvement, grasping the supervision and control over environmental protection standard, the Group will ensure high efficiency operation and achievement of emission standard and continuously push forward the implementation of environmental protection technological improvement.



Report of the Directors (Continued)

Compliance with relevant laws and regulations

During the reporting period, the Company complied with the relevant laws and regulations which have material impacts on the Company.

The Group strictly complied with the requirements of the Listing Rules and the articles of association of the Company (the "**Articles of Association**") to improve the Material Decision-making Management Measure while amending, supplementing and formulating the Administrative Measures which formed a governance system with standardized decision making, high efficiency operation and effective supervision system. The Company will continue to push forward the corporate governance standard and the development of its business.

Results and dividend

In 2015, the Group recorded a sales of RMB1,485,918,000; revenue amounted to RMB525,652,000; gross profit margin was 2.16%; equity interest attributable to owners of the Company amounted to RMB643,996,000 and the comprehensive equity interest attributable to owners of the Company amounted to RMB644,168,000.

For the analysis on the financial indicator of the results of the Company for the year 2015, please see the section headed "Management Discussion and Analysis" in this report.

The annual results of the Group for the year ended 31 December 2015 and its financial status as at the same date prepared in accordance with accounting principles generally accepted in Hong Kong are set out from page 55 to 161 of this annual report.

The Company's dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2015, the Board has decided not to distribute any final dividend for the year ended 31 December 2015.

Five year financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited and adjusted (if applicable) financial statements, is set out on page 162 of this annual report. This summary does not form part of the audited financial statements.

Share capital

Details of the Company's share capital in 2015 and as at 31 December 2015 are set out in note 37 to the consolidated financial statements.

Purchase, redemption and sale of shares of the Company

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

Reserves

Details of the movements of reserves of the Company and of the Group during 2015 are set out in note 38 to the consolidated financial statements.

Major customers and suppliers

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

Purchase

– largest supplier, accounting for 8% of the total purchase amount

– five largest suppliers, accounting for 30% of the total purchase amount

Sales

– largest customer, accounting for 16% of the total sales amount

– five largest customers, accounting for 36% of the total sales amount

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

Report of the Directors (Continued)

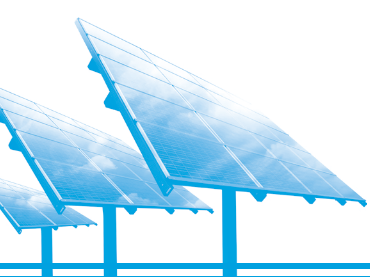
Directors, Supervisors and Senior Management

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

Name	Positions	Date of appointment/redesignation/resignation during the reporting period
Si Yuncong	Executive Director and Chairman	Appointed on 24 September 2015
Zou Changfu	Executive Director	Appointed on 13 November 2015
Guo Mengquan		Resigned as Chairman on 24 September 2015; Resigned as executive Director on 13 November 2015
Zhang Junhua		Resigned as Vice Chairman on 24 September 2015; Resigned as executive Director on 13 November 2015
Xu Xinzhong		Resigned as Independent non-executive Director on 13 November 2015
Huang Mingyan	Non-executive Director	
Jiang Ahe	Non-executive Director	
Feng Bing	Independent non-executive Director	
Wang Jialu	Independent non-executive Director	
Wang Zhicheng	Independent non-executive Director	
Zhu Yiming	Supervisor and Chairman of Supervisory Committee	
Tang Haobo	Supervisor	
Zhao Lefei	Supervisor	
Sun Haiying	Supervisor	
Wu Xiaoguang	Supervisor	
Hong Yuan	Deputy General Manager	
Ma Zhibin	Deputy General Manager	
Ma Jianchao	Chief Financial Officer	Resigned as Chief Financial Officer on 6 April 2016
Chu Xiaohang	Company Secretary	

Brief biographical details of Directors, supervisors and senior management are set out on pages 16 to 22.

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



Remuneration of Directors and the Five Highest Paid Individuals

Details of the remuneration of Directors and the five highest paid individuals of the Group are set out in note 15 to the financial statements.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2015.

Remuneration of senior management

According to Code B.1.5 of the Corporate Governance Code under Appendix 14 of the Listing Rules, the details of the annual remuneration of the senior management for the year 2015 which contained in note 15 to the financial statements in this report are as follow:

Name	**Remuneration and allowance** *(RMB'000)*	**Contribution to pension scheme** *(RMB'000)*	**Total** *(RMB'000)*
Zou Changfu	347	57	404
Ma Jianchao	272	57	329
Hong Yuan	302	57	359
Ma Zhibin	304	57	361
Chu Xiaohang	230	57	287

Directors' and Supervisors' interests in contracts

Save as disclosed in this report, no contract of significance in relation to the Company's business to which the Company or its subsidiaries were a party and in which a Director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or anytime during 2015.

Directors' and Supervisors' service contracts

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

Report of the Directors (Continued)

Permitted indemnity provision

During the reporting period and as at 31 December 2015, the Company took out liability insurance policies for the Directors and supervisors and to provide adequate protection for the Directors and supervisors.

Interests of Directors, Supervisors and Chief Executive in shares of the Company and its associated corporations

As of 31 December 2015, the interest and short position in shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) held by the Directors, supervisors, or chief executive or their respective associates which are (a) required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such directors, supervisors, chief executives or senior management personnel were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register of interests kept by the Company pursuant to section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, are set out as follow:

Name	Class of shares	Number of shares held	Nature of interest	Approximate percentage of shareholding in H shares	Approximate percentage of shareholding in total share capital
Si Yuncong	H share	672,000 (L)	Beneficial owner	0.11%(L)	0.03%(L)
Zou Changfu	H share	674,000 (L)	Beneficial owner	0.11%(L)	0.03%(L)

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

Interests and short positions of substantial Shareholders and other parties

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 31 December 2015 and as entered in the register of interests to be kept pursuant to section 336 of the SFO:

CEC, through IRICO Group Corporation, had interests in 1,601,468,000 domestic shares of the Company (representing 100% of the domestic share capital of the Company), whereas HKSCC Nominees Limited had interests in 628,844,789 H shares of the Company (representing 99.67% of the H Share capital of the Company).

Si Yuncong and Huang Mingyan act as the Directors. Si Yuncong concurrently acts as the general manager of IRICO Group Corporation whereas Huang Mingyan concurrently acts as the deputy general manager of IRICO Group Corporation. Zhu Yiming acts as the supervisor and the chairman of the Supervisory Committee of the Company and he concurrently acts as the director and the secretary of Party Committee of IRICO Group Corporation.

Notes:

As at 31 December 2015, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 629,111,389 H Shares, among which:

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

J.P. Morgan Fleming Asset Management Holdings Inc. held 33,742,000 H shares of the Company (representing 5.35% of the issued H shares of the Company) in the capacity of investment manager and through its controlled corporations, of which 33,198,000 H shares of the Company were held by JF Asset Management Limited and the remaining 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 28,504,400 shares).

Management contracts

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

Designated deposit and overdue time deposit

As at 31 December 2015, the Group had no designated deposits in any financial institutions in China. All of the Group's bank deposits are placed with commercial banks in China, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

Employees, retirement benefits and other benefits

As at 31 December 2015, the Group had 1,726* employees with various talents, of whom 10.8% were management and administrative personnel, 9.3% were technological personnel, 1.9% were accounting and audit personnel, 1.6% were sales and marketing personnel, and 76.4% were production employees. The employment and remuneration policy including retirement schemes and other benefits of the Company remained the same as set out in the Company's prospectus dated 8 December 2004. With full enthusiasm in work, the Group's employees are committed to ensure the high quality and reliability of products and services.

* Excluding service dispatch workers.

Connected transactions

The connected transactions recorded during the year are as follows:

1. Continuing connected transactions during the year of 2015

1) For the year ended 31 December 2015, there were various continuing connected transactions (the "**Continuing Connected Transactions**") between the Group and the following connected persons of the Group (collectively, the "**Connected Persons**" and each a "**connected person**" under the Listing Rules):

   (a) IRICO Group Corporation (the "**IRICO Group**"), a substantial Shareholder, the sole promoter of the Company and a connected person of the Company;

   (b) Xianyang Cailian Packaging Material Company Limited (咸陽彩聯包裝材料有限公司) ("**Xianyang Cailian**"), of which 30% equity interest is owned by IRICO Group Corporation. Xianyang Cailian was an associate of IRICO Group Corporation and therefore was a connected person of the Company;

   (c) Before the completion of disposal of A Share Company, of which 11.1% equity interest of A Share Company was directly held by IRICO Group Corporation, is also a connected person of the Company.

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2015 *(Continued)*

For the year ended 31 December 2015, the approved annual caps for each of the Continuing Connected Transactions (the "**Annual Caps**") and the actual revenue or expenditure in respect of each of the Continuing Connected Transactions are set out below:

No.	**Item**	**Annual Caps for Connected Transaction of 2015** ***RMB'000***	Amount incurred for Connected Transaction of 2015 *RMB'000*
(i)	IRICO Group Corporation Master Supply Agreement Supply of fuel, luminous materials, solar photovoltaic glass and other materials and products to IRICO Group Corporation	**295,123**	20,768
(ii)	IRICO Group Corporation Master Purchase Agreement Purchase of foam plastics, wood brackets and raw materials from IRICO Group Corporation	**233,660**	5,419
(iii)	Xianyang Cailian Master Purchase Agreement Purchase of packaging materials and adhesive tapes from Xianyang Cailian	**306,503**	33,134
(iv)	Comprehensive Services Agreement Purchase of utilities, social and ancillary services from IRICO Group Corporation	**716,329**	289,158
(v)	Premises Leasing Agreements Rental payable to IRICO Group Corporation	**50,993**	14,964
(vi)	Land Use Rights Leasing Agreements Land use rights leasing fees payable to IRICO Group Corporation	**7,419**	2,661
(vii)	Trademark Authorizing Agreements Trademark licensing fees payable to IRICO Group Corporation	**4,227**	843

The consideration for each of the Continuing Connected Transactions listed above during the reporting period is set out in the relevant agreements between the relevant Connected Persons and the Company, details of which were set out in the Company's circular dated 15 January 2013 and the announcement of the Company dated 14 November 2012.

Report of the Directors (Continued)

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2015 *(Continued)*

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

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreed terms of such transactions which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditor of the Company had provided a letter to the Directors of the Company, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(1) were not approved by the Board of the Company;

(2) were not, for transactions involving the provision of goods or services by the Group, in all material respects, in accordance with the pricing policies of the Group;

(3) were not carried out, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) exceeded the annual cap.

Connected transactions *(Continued)*

2. One-off connected transactions

On 6 February 2015, the Company entered into an agreement with 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 total 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. The disposal has been completed within the reporting period, 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.

CEC and IRICO Group are the controlling Shareholders of the Company and therefore connected persons of the Company. CEC and IRICO Group directly held 74% and 26% interest in Xianyang IRICO, respectively. Xianyang IRICO is an associate of CEC and IRICO Group and therefore a connected person of the Company.

For details, please refer to the circular of the Company dated 21 April 2015.

For each of the related party transaction set out in the note 43 to the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the Company confirmed that it has complied with the relevant requirements under the Listing Rules (if applicable).

Saved as disclosed above, the related party transactions set out in the note 43 to the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards did not constitute connected transactions within the meaning of the Listing Rules.

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

Acquisition of a further 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited* (江蘇永能光伏科技有限公司)

On 29 September 2011, the Company, Sunlink Power Holdings Co., Ltd., Suzhou Yongjin Investment Co., Ltd. (蘇州永金投資有限公司), Suzhou Huilian Solar Energy Technology Co., Ltd. (蘇州惠利安太陽能科技有限公司) (the "**Sellers**") entered into a share purchase agreement with Jiangsu Yongneng Photovoltaic Technology Company Limited (江蘇永能光伏科技有限公司), pursuant to which, among other things, the Company has conditionally agreed to acquire and the Sellers have conditionally agreed to sell, an aggregate of 30% equity interest in Jiangsu Yongneng for a total consideration of RMB105,000,000.

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

As of 31 December 2015, the above issue is still pending for further confirmation.

Report of the Directors (Continued)

Bank loans

As at 31 December 2015, details of bank loans of the Group are set out in note 35 to the consolidated financial statements.

Pre-emptive rights

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

Subsidiaries

Details of the subsidiaries of the Company are set out in note 23 to the consolidated financial statements.

External guarantee

The Group did not have any external guarantee during the year of 2015.

Material litigation

As at 31 December 2015, the Directors were not aware of any new litigation or claim of material importance pending or threatened by or 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 as set out in the Company's circular to its Shareholders dated 21 April 2015.

During the reporting period, there was no latest development in the pending litigations disclosed previously. The Directors consider that such cases have no material impact on the financial statements of the Group for the year ended 31 December 2015. For details of such cases, please refer to the Company's circular to its Shareholders dated 21 April 2015.

Contingent liabilities

As at 31 December 2015, the Group had no significant contingent liabilities.

Corporate Governance Code

The Board has reviewed the relevant corporate governance documents adopted by the Company, and is of the opinion that the documents are in compliance with the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules.

The Directors are not aware of any information that would reasonably reflect the non-compliance of the Company or any of its Directors with the Code at any time in the year ended 31 December 2015. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

Model Code

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

Public Float

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

Audit Committee

The audit committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2015, including the accounting principles adopted by the Group.

Auditor

SHINEWING (HK) CPA Limited was reappointed as the auditor of the Company for the year of 2015 at the annual general meeting held on 13 May 2015.

The financial statements of the Company for 2015 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment subject to approval by Shareholders at the annual general meeting.

By order of the Board
Si Yuncong
Chairman

Xianyang, the People's Republic of China
18 March 2016

Report of the Supervisory Committee

In 2015, all members of the supervisory committee of the Company (the "**Supervisory Committee**") complied with the principle of integrity, were responsible to all Shareholders and sincerely performed the duties of supervision to practically safeguard the interests of the Shareholders in strict compliance with relevant provisions under relevant laws and regulations of China and the Articles of Association. They supervised and examined significant operating activities, the financial status of the Company, performance of duties by the Directors and senior management and the compliance with relevant laws and regulations in 2015. I hereby present the work report of 2015 as follows:

During this year, pursuant to the requirement of the Articles of Association, the Supervisory Committee has reviewed financial reports regularly. In 2015, the Supervisory Committee held two meetings to review the following proposals: the 2014 work report of the Supervisory Committee, the audited financial report of 2014, the reviewed interim financial report for the first half of 2015. The convening of the two meetings was in compliance with the relevant requirements of the PRC Company Law and the Articles of Association of the Company.

In 2015, the supervisors of the Company attended Board meetings and general meetings in 2015.

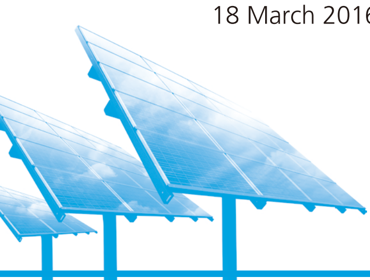
Pursuant to the Company Law and other applicable laws and regulations and the Articles of Association, the Supervisory Committee performed serious supervision and examination on the procedures of Board meetings, resolutions, the execution by the Board of the resolutions passed in general meetings, the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

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

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

By order of the Supervisory Committee
Zhu Yiming
Chairman of the Supervisory Committee

Xianyang, the People's Republic of China
18 March 2016



Corporate Governance Report

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

1. Corporate Governance Practices

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

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

2. The Board

Duties of the Board

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

- overseeing the implementation of resolutions passed at general meetings;
- approving the Company's business plans and investment schemes;
- formulating the Company's annual financial budget schemes;
- formulating the Company's profit distribution plan;
- formulating the Company's basic management system;

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Duties of the Board *(Continued)*

- approving the Company's accounting policies and adjustment thereof;
- approving various announcements including financial reports.

In respect of corporate governance, the Board performed the following duties in the reporting period:

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

Composition

The Board comprises 7 Directors, including 2 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors, whose biographies are set out from page 16 to 18 in this annual report.

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

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

2. The Board *(Continued)*

Composition *(Continued)*

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

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

During the reporting period, the Company organized trainings in relation to the business of the Company for Directors.

The Company provides trainings to Directors in due course in accordance with the requirements under Rule A.6.5 of Appendix 14 to the Listing Rules. The Company has made appropriate arrangement to insure against the possible legal actions that the Directors, supervisors and senior management may be involved. The Board reviews annually the insurance arrangement.

Duties of the Management

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

Corporate Governance Report (Continued)

2. The Board *(Continued)*

The Chairman and the general manager

The Chairman is responsible for operation and management of the Board while the general manager takes charge of the day-to-day management of the Company's business. To ensure a balanced distribution of functions and authorisations, the offices and roles of the Chairman and the general manager are assumed by Mr. Si Yuncong (an executive Director) and Mr. Zou Changfu respectively. The offices and roles of the Chairman and the general manager are assumed by two individuals separately and explicitly differentiated.

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

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

Company Secretary

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

2. The Board *(Continued)*

Company Secretary *(Continued)*

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

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

In 2015, the Company Secretary participated in 16 class hours of training in respect of corporate governance etc.

Board meetings

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

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

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

Corporate Governance Report (Continued)

2. The Board *(Continued)*

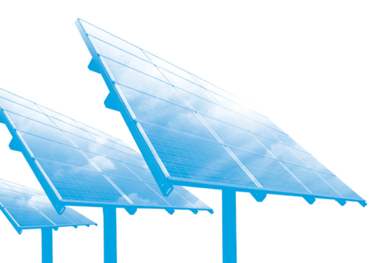
Board meetings *(Continued)*

The Company held four on-site meetings of the Board, five written resolution of the Board, one extraordinary general meeting and one annual general meeting during the reporting period. Details of attendance at Board meetings by each of the Directors are as follows:

Number of meetings attended/Number of meetings held

Directors	Positions	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Extraordinary General Meeting	Annual General Meeting
Si Yuncong	Executive Director and Chairman	4/4			1/1	1/1	1/1
Zou Changfu	Executive Director	2/4			1/1	1/1	
Huang Mingyan	Non-executive Director	4/4	2/2		1/1	1/1	1/1
Jiang Ahe	Non-executive Director	4/4	2/2		1/1	1/1	1/1
Feng Bing	Independent non-executive Director	4/4	2/2	1/1	1/1	1/1	1/1
Wang Jialu	Independent non-executive Director	4/4		1/1	1/1	1/1	1/1
Wang Zhicheng	Independent non-executive Director	4/4	2/2	1/1	1/1	1/1	1/1
Xu Xinzhong	Resigned on 13 November 2015	3/4	2/2	1/1	1/1	1/1	1/1
Guo Mengquan	Resigned on 13 November 2015	3/4			1/1	1/1	1/1
Zhang Junhua	Resigned on 13 November 2015	3/4		1/1	1/1	1/1	1/1

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



2. The Board *(Continued)*

Board committees

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

Nomination Committee

The Nomination Committee has comprised two executive Directors and three independent non-executive Directors, including Mr. Si Yuncong (executive Director), Mr. Zou Changfu (executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Si Yuncong. The Nomination Committee shall provide the Board with its advice on appointment of Directors, assessment of the Board's composition and change of Directors in accordance with certain agreed standards. The relevant standards include a Director's proper professional knowledge and work experience, personal integrity and commitment of adequate time. The Nomination Committee is responsible for the selection and recommendation of Director candidates, including consideration of candidates recommended by others and, when necessary, acquired by using public recruitment.

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

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Nomination Committee *(Continued)*

By reference to the requirements in provisions A.5 of the Code under Appendix 14 to the Listing Rules, the Board formulated the Terms of Reference and Organisation Rules for the Nomination Committee. The terms of reference of the Nomination Committee are as follows:

- to review the structure, size and composition of the Board at least annually;
- to identify individuals suitably qualified to become Board members, and to nominate relevant people as Directors or provide advice thereabout to the Board;
- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment as well as the succession plan of Directors.

During the reporting period, the Nomination Committee conducted work focusing on the aforesaid terms of reference and discussed on the formulation of policy on the nomination of Directors, nomination procedures adopted for candidates for Directors and the selection and recommendation rules. In 2015, the Nomination Committee convened one meeting to discuss of the matters about the structure and composition of the Board.

2. The Board *(Continued)*

Audit Committee

The Audit Committee has comprised two non-executive Directors and three independent non-executive Directors including Mr. Wang Zhicheng (independent non-executive Director), Mr. Huang Mingyan (non-executive Director), Mr. Jiang Ahe (non-executive Director), Mr. Feng Bing (independent non-executive Director) and Mr. Wang Jialu (independent non-executive Director), and is chaired by Mr. Wang Zhicheng, who has proper professional qualifications and financial experiences. The main role of the Audit Committee is to audit the financial reports of the Company, review internal control and corporate governance and provide advices in respect thereof to the Board.

By reference to the recommendations in A Guide for Effective Audit Committees issued by Hong Kong Institute of Certified Accountants and the requirements of provision C.3 of the Code, the Board has formulated the Terms of Reference and Organisation Rules for the Audit Committee. The major terms of reference of the Audit Committee are as follows:

- to be primarily responsible for making recommendation to the Board about the appointment, re-appointment and removal of external auditors, and assess the external auditors' work and supervise the independence, work procedures, quality and results of the external auditors;

- to review and supervise the Company's financial statements and the integrity of the annual reports and accounts, interning reports and the quarterly reports (if prepared for publication), and review major opinions related with the financial reporting on the statements and reports;

- to review the Company's financial reporting system and internal control system.

During the reporting period, the major work of the Audit Committee included:

I. Considering the audited financial statements of the Company for 2014 and the reviewed financial reports for the first half of 2015;

II. Considering the report in relation to the execution of continuing connected transactions of the Company for 2014;

III. Considering the report in relation to the audit fees of the Company for 2014;

IV. Considering the proposal for appointment of the Company's domestic and overseas auditor for 2015;

V. Reviewing the internal control system.

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Audit Committee *(Continued)*

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

Remuneration Committee

The Remuneration Committee has comprised one executive Director and two independent non-executive Directors, including Mr. Wang Jialu (independent non-executive Director), Mr. Zou Changfu (executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Wang Jialu.

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

- to make proposals to the Board about the remuneration policy and structure for all Directors and senior management personnel of the Company and the establishment of a formal and transparent procedure for formulating remuneration policy;

- to review and approve the proposed remuneration of the management in accordance with the corporate policies and objectives made by the Board;

- to take responsibility to determine the specific remuneration packages for all executive Directors and senior management personnel, and make salary recommendations of non-executive Directors to the Board.

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

During the reporting period, the Remuneration Committee conducted work focusing on the aforesaid terms of reference, and assessed the performance of executive Directors and approved the terms of service contracts for executive Directors. In 2015, the Remuneration Committee convened one meeting to consider the proposal in relation to the remuneration status of Directors and supervisors of the Company for 2014, and the proposed authorization by the general meetings to the Board to determine the remuneration of Directors and supervisors of the Company for 2015.

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

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

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

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

A Director's remuneration includes the amount paid by the Company and its subsidiaries to Directors for their management of affairs of the Company and its subsidiaries. Remunerations paid to each Director of the Company in 2015 are as follows:

(Unit: RMB'000)

Name	Position	Remuneration and allowance	Remuneration (Director's fee)	Contribution to retirement benefits	Remarks
Si Yuncong	Executive Director and Chairman				Not receiving remuneration from the Company
Zou Changfu	Executive Director				Not receiving remuneration from the Company
Huang Mingyan	Non-executive Director				Not receiving remuneration from the Company
Jiang Ahe	Non-executive Director				Not receiving remuneration from the Company
Feng Bing	Independent non-executive Director		100		
Wang Jialu	Independent non-executive Director		100		
Wang Zhicheng	Independent non-executive Director		100		
Xu Xin-zhong	Resigned on 13 November 2015		87		
Guo Mengquan	Resigned on 13 November 2015				Not receiving remuneration from the Company
Zhang Junhua	Resigned on 13 November 2015				Not receiving remuneration from the Company
Total			387		

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

3. Statement of financial responsibility of the Board

The Board is responsible for the preparation of the Company's financial statements and takes the responsibility for the completeness and legitimacy of the financial data as well as the efficiency of the Company's internal control system and risk management process. The general manager of the Company is responsible for the daily management of the operation of the Company. The Board makes periodic reviews on the functions of and the rights authorised to the general manager.

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

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

4. Securities transactions by Directors

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

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

Corporate Governance Report (Continued)

5. Control mechanism

Internal control and internal audit

Internal control system

The Board is fully in charge of the Company's internal control system, including its overall financial and operational status, hence avoiding material financial omission or loss and any omission or risk in relation to operation controls. Through its Audit Committee, the Board makes periodic review on the effectiveness of the internal control system of the Group, which includes controls over finance, operations, regulation compliance and risk management. Relevant results of 2015 have been reported to the Board through the Audit Committee.

The Board confirms that the Company has set up procedures and systems for efficient recognition, assessment and management of material operating risks. The Company has complied with the code provisions relating to internal controls as set out in the Corporate Governance Code in the year ended 31 December 2015.

Internal audit

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

The internal audit department gives its prudent opinion as to whether the Company's operations have a comprehensive and efficient risk management system and reports to the Audit Committee of the Company accordingly. In 2015, all internal audit reports and opinions were submitted to the general manager and other executive Directors of the Company as well as the senior management of the audit department. The audit department also follows up on issues identified during the audit process and conducts follow-up audit to ensure that such issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the internal audit and the external auditor so that both are aware of the significant factors that may affect their respective scope of work.

5. Control mechanism *(Continued)*

Internal control and internal audit *(Continued)*

Risk management

The Board properly implements operation risk management procedures across the whole Company and formulates policies and procedures which provide a framework for identification and management of risks.

The Board fulfils its oversight role over the Company and its subsidiaries in the following areas:

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

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

External auditor and their remunerations

As approved in the annual general meeting held on 13 May 2015, the Board has continued to appoint SHINEWING (HK) CPA Limited as the auditor of the Company. The Audit Committee reviewed the letter from SHINEWING (HK) CPA Limited to confirm its independence and objectiveness, held meetings with the external auditor to discuss its audit scope and fees, and approved scope and fees for any non-audit service to be provided by the firm as required.

For the year ended 31 December 2015, the remuneration of the external auditor amounted to RMB310,000 which was all audit service fees. This year was no non-audit service fees. The audit fee has been approved by the Audit Committee of the Company and the Board.

Corporate Governance Report (Continued)

Interests of Shareholders and investor relations

General meetings

The Company encourages Shareholders' attendance at annual general meetings and gives at least a 45-day prior notice of such meetings. The Chairman shall attend the annual general meetings and invite the chairman of each special committee (if he is unable to attend, a member of such committee will be invited) under the Board to attend the annual general meeting as non-voting participants, and answer inquiries from the Shareholders. All Directors (especially independent non-executive Directors and non-executive Directors) shall attend the general meetings on regular basis, including annual general meeting and extraordinary general meeting.

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

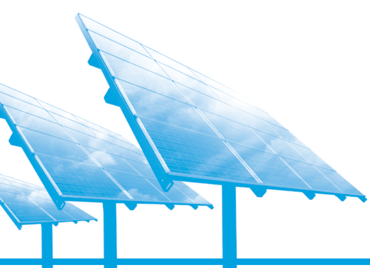
On 13 May 2015, the 2014 annual general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 13 November 2015, the extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

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

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

According to the information available to the Company and as far as the Directors are aware, approximately 28% of the Company's total issued share capital has been held by public Shareholders.



Interests of Shareholders and investor relations *(Continued)*

Rights of Shareholders

Convening Extraordinary General Meeting by Shareholders

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

(1) Two or more Shareholders who collectively hold more than 10 percents (including 10 percents) of the voting shares at the proposed meeting, can sign one or a few copies of written requests with the same format and content, with the agenda of the meeting clearly stated, to be submitted to the Board to convene an extraordinary general meeting or any class meetings. The Board shall, after receipt of the aforementioned written request, convene an extraordinary general meeting or class meeting as soon as possible. The aforementioned number of shares held by Shareholders shall be calculated based on the date of the written request.

(2) If the Board, within thirty days after receipt of the aforementioned written request, fails to issue a notice to convene meetings, the Shareholders who have made the said request shall have the right to convene the meeting by themselves within four months after the Board receives the request, using the same procedure as the Board shall convene the meeting as possible.

Enquiry by Shareholders

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

Procedures for Shareholders to put forward proposals and contact information

In accordance with the provisions under the Articles of Association, at the annual general meetings of the Company, Shareholders either solely or collectively holding more than three percent (including three percent) of the Company's total voting shares, shall have the right to put forward a new proposal in writing to the Company, and the Company should put the proposed matters that are within the purview of the Shareholders' general meeting in the agenda of the meeting. Shareholders can contact the Company Secretary through the hotline ((8629) 3333 3850) or by email (chxny@ch.com.cn).

Corporate Governance Report (Continued)

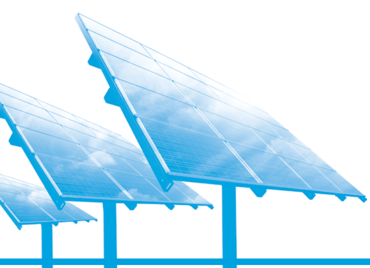
Interests of Shareholders and investor relations *(Continued)*

Information disclosure and investor relations

The Company is committed to increase transparency and improve investor relations and has attached great importance to Shareholders' responses in this regard. The Company undertakes that it shall make impartial disclosure and provide full and transparent report. The ultimate duty of the Chairman is to ensure efficient communications with investors and to ensure the Board's understanding of the opinions of substantial Shareholders. After the Company's announcement of its interim and annual results, the Board is committed to provide Shareholders with clear and comprehensive results of the Group by publishing interim and annual reports. The Company endeavours to maintain a continuous candid communication with investors and analysts, so as to deepen their understanding of the Group's management, financial condition, operation, strategies and plans. In addition, the Company arranges reverse road shows for analysts and investors from time to time, to foster intercommunication and understanding between investors and the management of the Company. Field visits to inspect plants and business premises of the Company by analysts and investors are welcomed.

By order of the Board
Si Yuncong
Company Secretary

Xianyang, the People's Republic of China
18 March 2016



Independent Auditor's Report

Year ended 31 December 2015

信永中和 ShineWing

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

TO THE SHAREHOLDERS OF
IRICO GROUP NEW ENERGY COMPANY LIMITED
(Formerly known as IRICO Group Electronics Company Limited)
(A joint stock company established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of IRICO Group New Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 161, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

Year ended 31 December 2015

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group had net current liabilities of approximately RMB1,371,657,000 as at 31 December 2015 and incurred loss from continuing operations of approximately RMB580,210,000 for the year ended 31 December 2015. These conditions as set out in Note 2 to the consolidated financial statements indicate the existence of 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
18 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000 (Restated)
Continuing operations			
Turnover	8	**1,485,918**	2,058,719
Cost of sales		**(1,453,783)**	(2,030,067)
Gross profit		**32,135**	28,652
Gain on disposal of subsidiaries	26	**–**	119,396
Gain on disposal of associates	24	**–**	81,864
Other operating income	10	**56,475**	80,161
Selling and distribution costs		**(64,631)**	(48,636)
Administrative expenses		**(168,937)**	(173,812)
Other operating expenses		**(11,464)**	(37,139)
Finance costs	11	**(106,341)**	(139,534)
Impairment loss recognised in respect of the available-for-sale financial asset		**(276,831)**	–
Impairment loss recognised in respect of property, plant and equipment		**–**	(425,685)
Impairment loss recognised in respect of interests in associates		**(40,145)**	–
Share of loss of associates	24	**(174)**	(32,091)
Loss before tax		**(579,913)**	(546,824)
Income tax expense	12	**(297)**	(1,293)
Loss for the year from continuing operations	14	**(580,210)**	(548,117)
Discontinued operation			
Profit (loss) for the year from discontinued operation	13	**1,105,862**	(1,144,225)
Profit (loss) for the year		**525,652**	(1,692,342)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2015

	NOTES	**2015** **RMB'000**	2014 RMB'000 (Restated)
(Loss) profit for the year attributable to the owners of the Company:			
– from continuing operations		**(577,774)**	(694,388)
– from discontinued operation		**1,221,770**	(119,892)
		643,996	(814,280)
(Loss) profit for the year attributable to non-controlling interests:			
– from continuing operations		**(2,436)**	146,271
– from discontinued operation		**(115,908)**	(1,024,333)
		(118,344)	(878,062)
		525,652	(1,692,342)
		RMB	*RMB*
(Loss) earnings per share – Basic and diluted			
– from continuing operations		**(0.26)**	(0.31)
– from discontinued operation		**0.55**	(0.05)
– from continuing and discontinued operations	18	**0.29**	(0.36)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2015

	NOTES	**2015** ***RMB'000***	2014 *RMB'000* (Restated)
Profit (loss) for the year		**525,652**	(1,692,342)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**172**	185
Available-for-sale financial assets:			
– Changes in fair value		**(276,831)**	–
– Reclassified to profit or loss due to disposal		**10,157**	–
– Reclassified to profit or loss due to impairment losses		**266,674**	–
Share of exchange reserve of an associate		**–**	(239)
Other comprehensive income (expense) for the year		**172**	(54)
Total comprehensive income (expense) for the year		**525,824**	(1,692,396)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**644,168**	(814,334)
Non-controlling interests		**(118,344)**	(878,062)
		525,824	(1,692,396)

Consolidated Statement of Financial Position

As at 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	19	**1,211,724**	6,488,813
Investment properties	20	**7,164**	10,194
Leasehold land and land use rights	21	**114,237**	206,200
Intangible assets	22	**24,981**	28
Interests in associates	24	**31,721**	72,040
Available-for-sale financial assets	25	**483,378**	–
Deposits paid for acquisition of property, plant and equipment		**–**	267
		1,873,205	6,777,542
Current assets			
Inventories	27	**130,618**	232,121
Trade and bills receivables	28	**618,088**	544,165
Other receivables, deposits and prepayments	29	**184,754**	945,783
Tax recoverable		**3,140**	3,140
Restricted bank balances	30	**95,105**	12,400
Bank balances and cash	31	**252,596**	255,862
		1,284,301	1,993,471
Non-current assets classified as held for sale	32	**–**	3,663
		1,284,301	1,997,134
Current liabilities			
Trade and bills payables	33	**642,944**	694,325
Other payables and accruals	34	**499,507**	716,488
Tax payables		**850**	1,001
Bank and other borrowings – due within one year	35	**1,466,365**	4,096,603
Termination benefits	36	**46,292**	56,187
		2,655,958	5,564,604
Net current liabilities		**(1,371,657)**	(3,567,470)
Total assets less current liabilities		**501,548**	3,210,072

Consolidated Statement of Financial Position (Continued)

As at 31 December 2015

	NOTES	**2015** **RMB'000**	2014 RMB'000
Capital and reserves			
Share capital	37	**2,232,349**	2,232,349
Other reserves	38	**936,297**	1,565,585
Accumulated losses		**(3,126,483)**	(4,399,939)
Equity attributable to owners of the Company		**42,163**	(602,005)
Non-controlling interests		**86,090**	1,238,581
Total equity		**128,253**	636,576
Non-current liabilities			
Bank and other borrowings – due after one year	35	**226,620**	2,096,906
Deferred income	39	**102,246**	396,789
Termination benefits	36	**37,197**	72,569
Deferred tax liabilities	40	**7,232**	7,232
		373,295	2,573,496
		501,548	3,210,072

The consolidated financial statements on pages 57 to 161 were approved and authorised for issue by the board of directors on 18 March 2016 and are signed on its behalf by:

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000* *(Note 38)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total Equity *RMB'000*
At 1 January 2014	2,232,349	1,339,514	(3,592,325)	(20,462)	1,373,587	1,353,125
Loss for the year	–	–	(814,280)	(814,280)	(878,062)	(1,692,342)
Other comprehensive income (expense)						
Exchange differences arising on translation	–	185	–	185	–	185
Share of exchange reserve of an associate	–	(239)	–	(239)	–	(239)
Other comprehensive expense for the year	–	(54)	–	(54)	–	(54)
Total comprehensive expense for the year	–	(54)	(814,280)	(814,334)	(878,062)	(1,692,396)
Partial disposal of a subsidiary *(note 23(i))*	–	(156,193)	–	(156,193)	374,334	218,141
Deemed capital contribution arising from the disposal of subsidiaries to its parent company *(note 26)*	–	311,770	–	311,770	438,403	750,173
Release on disposal of a subsidiary *(note 26)*	–	–	–	–	(5,564)	(5,564)
Release on deregistration of subsidiaries	–	64,018	6,666	70,684	(49,704)	20,980
Release on disposal of an associate *(note 24)*	–	9,086	–	9,086	–	9,086
Additional acquisition of a subsidiary *(note 23(iv))*	–	(2,556)	–	(2,556)	(12,044)	(14,600)
Dividend paid to non-controlling interests	–	–	–	–	(2,369)	(2,369)
At 31 December 2014	2,232,349	1,565,585	(4,399,939)	(602,005)	1,238,581	636,576

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000* *(Note 38)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total Equity *RMB'000*
At 1 January 2015	2,232,349	1,565,585	(4,399,939)	(602,005)	1,238,581	636,576
Profit (loss) for the year	–	–	643,996	643,996	(118,344)	525,652
Other comprehensive expense						
Exchange differences arising on translation of a foreign subsidiary	–	172	–	172	–	172
Available-for-sale financial assets:						
– Changes in fair value	–	(276,831)	–	(276,831)	–	(276,831)
– Reclassified to profit or loss due to disposal	–	10,157	–	10,157	–	10,157
– Reclassified to profit or loss due to impairment losses	–	266,674	–	266,674	–	266,674
Total comprehensive (expense) income for the year	–	172	643,996	644,168	(118,344)	525,824
Release on disposal of a subsidiary	–	(629,460)	629,460	–	(1,045,218)	(1,045,218)
Acquisition of a subsidiary *(note 41)*	–	–	–	–	11,071	11,071
At 31 December 2015	2,232,349	936,297	(3,126,483)	42,163	86,090	128,253

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTES	**2015** **RMB'000**	2014 RMB'000
OPERATING ACTIVITIES			
Loss before tax from continuing operations		**(579,913)**	(546,824)
Loss before tax from discontinued operations	13	**(202,219)**	(1,144,225)
		(782,132)	(1,691,049)
Adjustments for:			
Allowance for doubtful debts of trade and other receivables		**8,905**	3,972
Allowance for inventories		**27,726**	32,821
Amortisation of deferred income on government grants received		**(13,777)**	(21,861)
Amortisation of leasehold land and land use rights and intangible assets		**6,680**	2,804
Cash-settled share-based payments expense		**–**	123
Depreciation for property, plant and equipment and investment properties		**101,512**	178,076
Loss on disposal of investment properties		**–**	287
Finance costs		**191,407**	276,938
Impairment loss on available-for-sale financial asset		**276,831**	–
Gain on disposal of property, plant and equipment		**(3,411)**	(16,969)
Gain on disposal of non-current assets classified as held for sale		**(5,998)**	–
Gain on disposal of an associate		**–**	(81,864)
Gain on disposal of subsidiaries		**–**	(119,396)
Impairment loss on investment in an associate		**40,145**	–
Impairment loss recognised in respect of property, plant and equipment		**–**	1,110,645
Bank interest income		**(7,886)**	(12,925)
Provision for termination benefits		**–**	53,650
Provision for warranty		**8,575**	8,857
Legal compensation		**14,849**	–
Reversal of allowance for doubtful debts of trade and other receivables		**–**	(4,812)
Share of loss of associates		**174**	18,208
Operating cash flows before movements in working capital		**(136,400)**	(262,495)
Increase in inventories		**(66,225)**	(7,867)
(Increase) decrease in trade and bills receivables, other receivables, deposits and prepayments		**(321,176)**	109,972
Increase in trade and bills payables, other payables and accruals		**677,297**	58,246
Decrease in termination benefits		**(45,267)**	(159,366)
Increase in deferred income		**911**	25,394
Cash generated from (used in) operations		**109,140**	(236,116)
Income tax paid		**(448)**	(858)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**108,692**	(236,974)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015

	NOTES	**2015** **RMB'000**	2014 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(383,200)**	(386,245)
Placement of restricted bank balances		**(82,705)**	(305,296)
Acquisition of subsidiary	41	**(742)**	–
Proceeds from disposal of assets held for sale		**9,661**	–
Interest received		**7,886**	12,925
Proceeds from disposal of property, plant and equipment		**15,421**	27,150
Net cash from disposal of a subsidiary	26	**705,111**	151,615
Acquisition of the remaining interest of a subsidiary		**–**	(14,600)
Withdrawal of restricted bank balances		**–**	354,852
Proceeds from disposal of an associate		**–**	90,950
Sales proceeds from partly disposal of a subsidiary		**–**	218,141
NET CASH FROM INVESTING ACTIVITIES		**271,432**	149,492
FINANCING ACTIVITIES			
Bank and other borrowings raised		**1,818,938**	1,984,632
Interest expense paid		**(191,407)**	(147,090)
Repayments of bank and other borrowings		**(2,011,093)**	(2,278,967)
Dividends paid to non-controlling interests of subsidiaries		**–**	(2,369)
Repayments of obligations under finance leases		**–**	(34,057)
NET CASH USED IN FINANCING ACTIVITIES		**(383,562)**	(477,851)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,438)**	(565,333)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**255,862**	821,602
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**172**	(407)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH		**252,596**	255,862

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. General

IRICO Group New Energy Company Limited (formerly known as IRICO Group Electronics Company Limited) (the "Company") was established 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2004. The addresses of its registered office and principal place of business are No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC.

With effect from 10 March 2016, the name of the Company was changed from "IRICO Group Electronics Company Limited (彩虹集團電子股份有限公司)" to "IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)". Details were disclosed in the announcement on 13 November 2015, the special resolution regarding the change of the name of the Company was passed by the shareholders at the EGM held on 13 November 2015.

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, solar photovoltaic glass and others.

The directors of the Company consider that IRICO Group Corporation ("IRICO Group") is the Company's parent company and the ultimate holding company is China Electronics Corporation ("CEC"), a state-owned enterprise established in the PRC.

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

2. Basis of Preparation

The Group reported a loss from continuing operations of approximately RMB580,210,000 for the year ended 31 December 2015. The Group had net current liabilities of approximately RMB1,371,657,000 as at 31 December 2015. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group and the Company 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 and the Company to meet the Group's and the Company's liabilities and commitments as and when it falls due;

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

(iii) the senior management aims to maintain flexibility in funding by keeping committed credit lines available.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group and the Company 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 consolidated financial statements.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Application of New, Revised Standards and Interpretations

The Group has applied the following new, revised HKFRSs and new Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Annual Improvements to HKFRSs 2010–2012 Cycle (Continued)

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 consolidated financial statements.

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 consolidated financial statements.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]
Amendment to HKAS 1	Disclosure Initiative[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of the new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

Annual Improvement to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group's consolidated financial statements.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments (Continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities and due to unforeseeable future development of the Group. It is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

(i) at cost;

(ii) in accordance with HKFRS 9 (or HKAS 39); or

(iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

The directors of the Company do not anticipate that the application of HKAS 27 will have a material impact on the amounts reported and disclosures made in the financial statements of the Company.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for liabilities for cash-settled share-based payments and available-for-sale financial assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Interests in associates *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The difference between the carrying amount of the associate at the date the equity method was discontinued, and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group's accounting policy for recognition of rental income from operating leases is described in the accounting policy for leasing below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

4. Significant Accounting Policies *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of sell.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position and Company's statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease included both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land and land use rights" in the consolidated and Company's statement of financial position and is amortised over the lease term on a straight-line basis.

4. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interest as appropriate).

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and Company's statement of financial positions and transferred to profit or loss on a systematic and rational basis over the useful life of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Retirement benefit costs

Payments to defined contribution scheme or state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Pension and housing obligations

The full time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. These government-sponsored pension plans are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Voluntary payments made to certain former employees and which were not made pursuant to a formal or informal plan are expensed as paid.

Full time employees are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. Contributions to these funds are expensed as incurred. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (1) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (2) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Early retirement benefits

Employee early retirement benefits are recognised in the period in which the Group enters into an agreement with the employee specifying the terms of early retirement or after the individual employee has been advised of the specific terms. The specific terms vary among the early retired employees depending on various factors including position and length of services. Early retirement benefits falling due more than twelve months after the reporting date are discounted at 8.7% to present value.

4. Significant Accounting Policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position statement of financial positions comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets of the Group are classified into the following specified categories: loans and receivables and available-for-sale investment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, deposits, restricted bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale investment

Available-for-sale investment is non-derivative that is either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity investment is recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instrument, it is measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment losses on financial assets below).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment losses on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and an increase in the number of delayed payments in the portfolio past the average credit period of 90 days.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reserved in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivable or other receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment losses on financial assets *(Continued)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranty

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Share-based payment transactions

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. Significant Accounting Policies *(Continued)*

Impairment losses on tangible and intangible assets *(Continued)*

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations (see below) that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Critical judgements in applying the entity's accounting policies *(Continued)*

Going concern consideration

The assessment of the going concern assumption involves making judgments by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group and the Company have ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions as set out in Note 2.

Contingent liabilities in respect of litigation claims

The Group has been engaged in a number of legal claims. Contingent liabilities arising from these legal claims have been assessed by management with reference to legal advice. The directors of the Company considered that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to legal opinion.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in Note 21, certain of the Group's rights to the use of the buildings were not granted formal titles from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the directors of the Company determine to recognise the buildings that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling the buildings.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income tax expense

Determining income tax provisions involves estimation on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for inventories

The directors of the Company review the ageing analysis at the end of the reporting period, and make allowance for obsolete and slow-moving inventory items. The directors of the Company estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The directors of Company carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2015, the carrying amounts of the Group's inventories are approximately RMB130,618,000 (2014: RMB232,121,000) and net of allowance of inventories are approximately RMB16,018,000 (2014: RMB37,293,000).

Fair value measurements

Some of the Group's assets and liabilities are measured and disclosed at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value. Notes 7c and 20 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Liabilities for cash-settled share-based payments

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Binomial model, taking into accounts the terms and conditions upon which the instruments were granted. The option pricing models require the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options. The fair value of liabilities for cash-settled share-based payments is expensed over the period until vesting with recognition of a corresponding liability. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value and recognised in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2014, the carrying amount is approximately RMB8,622,000 (2015: nil) and included in other payables and accruals.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment of property, plant and equipment, intangible assets, investment properties and leasehold land and land use rights

The Group tests at the reporting date whether property, plant and equipment, intangible assets, investment properties and leasehold land and land use rights have suffered any impairment in accordance with accounting policies stated in Note 4. The recoverable amounts of those assets have been determined based on the higher of their fair value less costs to dispose and their value-in-use calculations which prepared on the basis of management's assumptions and estimates taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development. These calculations require the use of estimates such as the future revenue and discount rates.

As at 31 December 2015, the carrying amounts of property, plant and equipment, intangible assets, investment properties and leasehold land and land use rights of the Group are approximately RMB1,211,724,000 (2014: RMB6,488,813,000), RMB24,981,000 (2014: RMB28,000), RMB7,164,000 (2014: RMB10,194,000), and RMB117,260,000 (2014: RMB211,450,000) respectively, net of accumulated depreciation or amortisation and impairment of RMB2,551,308,000 (2014: RMB4,509,416,000), RMB368,981,000 (2014: RMB371,743,000), RMB1,915,000 (2014: RMB1,276,000) and RMB11,632,000 (2014: RMB19,749,000) respectively.

During the year ended 31 December 2015, no impairment has been recognised by the Group (2014: RMB1,110,645,000) in respect of property, plant and equipment (Note 19). Furthermore, no impairment loss has been recognised in respect of intangible assets, investment properties and leasehold land and land use rights for the two years ended 31 December 2015 and 2014.

Depreciation of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and investment properties and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Amortisation of leasehold land and land use rights and intangible assets

Leasehold land and land use rights and intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the leasehold land and land use rights and intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment of interests in associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associates in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2015, the carrying amounts of Group's interests in associates are approximately RMB31,721,000 (2014: RMB72,040,000). The Group recognised an impairment loss of approximately RMB40,145,000 (2014: nil) during the year.

Allowance for doubtful debts of trade and bills receivables and other receivables

The directors of the Company regularly review the recoverability and age of the trade and bills receivables and other receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in the consolidated statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired.

In determining whether allowance for doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2015, the Group's carrying amount of trade and bills receivables is approximately RMB618,088,000 (2014: RMB544,165,000), net of allowance for doubtful debts of approximately RMB17,289,000 (2014: RMB9,735,000). The Group's carrying amount of other receivables is approximately RMB14,526,000 (2014: RMB43,537,000), net of allowance for doubtful debts of approximately RMB1,275,000 (2014: RMB3,643,000).

Provision for warranty

The provision for warranty was made for warranties granted to the CPTs tubes customers for the free-of-charge materials and workmanship of particular removal devices and accessories, up to a period of three years from the date of installation.

Provision for warranty was made on an accrual basis by reference to the directors' best estimates of the expenditure required to settle the obligations, and was charged to the consolidated statement of profit or loss and other comprehensive income in the period in which the related sales are made. The level of provision required was assessed by the directors of the Company annually based on the Group's past experience of warranty. As at 31 December 2015, the carrying amount of provision for warranty for the Group is approximately RMB9,059,000 (2014: RMB12,189,000).

6. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximsing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank and other borrowings as disclosed in Note 35, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, other reserves and accumulated losses.

The directors of the Company review the capital structure on a regular basis and monitors on the basis of the gearing ratio. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. Gearing ratio is calculated as the proportion of total debt to total capital.

The Group aimed at maintaining a gearing ratio of about 90% (2014: 90%). Based on the recommendations of the Company's directors, the Group intends to maintain a suitable ratio of share capital to liabilities, so as to maintain an effective capital structure from time to time.

The gearing ratio at the end of the reporting period was as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Total debt[(a)]	**1,692,985**	6,193,509
Net debt[(b)]	**1,440,389**	5,937,647
Total equity	**128,253**	636,576
Total capital (based on total debt)[(c)]	**1,821,238**	6,830,085
Net capital (based on net debt)[(d)]	**1,568,642**	6,574,223
Gearing ratio (based on total debt and total capital) *(%)*	**93.0**	90.7
Gearing ratio (based on net debt and net capital) *(%)*	**91.8**	90.3

Notes:

(a) Total debt equals to bank and other borrowings.

(b) Net debt equals to total debt less bank balances and cash.

(c) Total capital (based on total debt) equals to total debt plus total equity.

(d) Net capital (based on net debt) equals to net debt plus total equity.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

7. Financial Instruments

(a) Categories of financial instruments

	2015	2014
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)		
Trade and bills receivables	**618,088**	544,165
Other receivables	**64,652**	48,787
Restricted bank balances	**95,105**	12,400
Bank balances and cash	**252,596**	255,862
	1,030,441	861,214
Available-for-sale financial assets	**483,378**	–
Financial liabilities		
Other financial liabilities measured at amortised cost		
Trade and bills payables	**642,944**	694,325
Other payables and accruals	**490,448**	695,677
Bank and other borrowings	**1,692,985**	6,193,509
	2,826,377	7,583,511

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, restricted bank balances, bank balances and cash, available-for sale financial assets, trade and bills payables, other payables and accruals and bank and other borrowings. Details of the financial instruments are disclosed in respective notes or below. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

7. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

The Group mainly operates in the PRC. Majority of its revenue and operating costs and cost of sales are denominated in RMB. Certain trade receivables and bank balances and cash of the Group are denominated in the United States Dollars ("USD"). Such USD denominated trade receivables and bank balances and cash are exposed to fluctuations in the value of RMB against USD in which these trade receivables, bank balances and cash, and bank and other borrowings are denominated. Any significant appreciation/depreciation of the RMB against the USD may result in significant exchange loss/gain (2014: loss/gain) which would be recorded in the consolidated statement of profit or loss and other comprehensive income.

At the end of the reporting period, included in the trade receivables and bank balances and cash are the following amount denominated in USD which is other than the functional currency of the relevant group entities to which it relates.

	The Group	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**5,243**	125,777
Bank balances and cash	**21,591**	60,065
	26,834	185,842

The Group currently does not have foreign currency hedging policy. However, the directors of the Company monitors currency risk and will consider hedging significant currency risk exposure should the need arise.

Sensitivity analysis

The following details the Group's sensitivity to a 10% (2014: 10%) increase and decrease in RMB against USD. 10% (2014: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

As of 31 December 2015 if RMB had strengthened/weakened 10% (2014: 10%) against USD, with all other variables held constant, the Group's loss for the year would have been approximately RMB2,683,000 higher/lower (2014: higher/lower RMB18,584,000), mainly as a result of foreign exchange losses/gains on translation of the USD denominated trade receivables and bank balances and cash.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

7. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank balances (Note 30) and fixed-rate bank borrowings (Note 35). The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 31) and variable-rate bank and other borrowings (Note 35). It is the Group's policy to keep its bank and other borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate and the People's Bank of China Prescribed Interest Rate arising from the Group's variable-rate bank and other borrowings and variable-rate obligations under finance leases respectively.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2014: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2014: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately RMB12,736,000 (2014: RMB25,105,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and variable-rate bank and other borrowings.

Other price risk

The Group is exposed to equity price risk through its investments in available-for-sales financial assets. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating quoted in the Shanghai Stock Exchange.

7. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2015, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on bank balances is limited because the restricted bank balances, bank balances of the Group are maintained with state-owned banks in the PRC and banks in Hong Kong with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 86% (2014: 87%) of the total trade and bills receivables as at 31 December 2015.

For the year ended 31 December 2015, the Group has concentration of credit risk as 4% (2014: 4%) and 6% (2014: 6%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively. Sales to the largest customer and aggregate sales to the five largest customers represents 16% (2014: 18%) and 34% (2014: 35%) of total turnover respectively.

The Group has policies in place to ensure that sale of products are made to customers with an appropriate credit history. The Group also performs periodic credit evaluations of its customers and believes that adequate impairment loss of trade and bills receivables have been made in the consolidated financial statements.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group is exposed to liquidity risk as at 31 December 2015 as the Group had net current liabilities of approximately RMB1,371,657,000. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in Note 2.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management aims to maintain flexibility in funding by keeping committed credit lines available.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

7. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	On demand or within 1 year *RMB'000*	**1–5 years** *RMB'000*	**Total undiscounted cash flows** *RMB'000*	**Carrying amount at 31/12/2015** *RMB'000*
2015				
Trade and bills payables	**642,944**	**–**	**642,944**	**642,944**
Other payables	**499,507**	**–**	**499,507**	**499,507**
Bank and other borrowings	**1,665,393**	**277,584**	**1,942,977**	**1,692,985**
	2,807,844	**277,584**	**3,085,428**	**2,835,436**

	On demand or within 1 year *RMB'000*	1–5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2014 *RMB'000*
2014				
Trade and bills payables	694,325	–	694,325	694,325
Other payables	695,677	–	695,677	695,677
Bank and other borrowings	4,453,555	2,365,102	6,818,657	6,193,509
	5,843,557	2,365,102	8,208,659	7,583,511

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7. Financial Instruments *(Continued)*

(c) Fair value measurement of financial instruments

Fair value of 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 year. 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.

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	31/12/2015	31/12/2014		
	RMB'000	*RMB'000*		
Listed equity securities classified as available-for-sale financial assets	**RMB380,462**	–	Level 1	Quoted bid prices in active market

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

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

8. Turnover

Turnover represents revenue arising from sales of solar photovoltaic glass products, luminous materials, liquid crystal related products and others.

9. Segment Information

The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

An operating segment regarding the TFT-LCD glass substrate and display devices production and sales business was discontinued in current year as a result of disposal of IRICO Display Devices Co., Ltd. ("A Share Company"), which are described in more detail in Note 26.

The operating segment regarding the CPTs production and sales business was being deteriorated and included in others in current year.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Luminous materials production and sales

2. Liquid crystal related products production and sales

3. Solar photovoltaic glass production and sales

4. Others

Information regarding the above segments is reported below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

9. Segment Information *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2015

Continuing operations

	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE					
External sales	192,330	723,862	568,554	1,172	1,485,918
Segment (loss)	(5,630)	(3,468)	(36,375)	(565)	(46,038)
Unallocated income					41,017
Unallocated expenses					(191,546)
Impairment loss recognised in respect of the available-for-sale financial asset					(276,831)
Finance costs					(106,341)
Share of loss of associates					(174)
Loss before tax					(579,913)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

9. Segment Information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2014

Continuing operations

	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Others *RMB'000*	Total *RMB'000* (Restated)
REVENUE					
External sales	277,418	1,349,269	424,924	7,108	2,058,719
Segment profit (loss)	(28,715)	142,575	(29,765)	(125,047)	(40,952)
Unallocated income					52,866
Unallocated expenses					(588,373)
Gain on disposal of subsidiaries					119,396
Gain on disposal of an associate					81,864
Finance costs					(139,534)
Share of loss of associates					(32,091)
Loss before tax					(546,824)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment loss/profit represents the loss from/profit earned by each segment without allocation of central administration costs, depreciation of investment properties, directors' salaries, share of loss of associates, rental income, dividend income from available-for-sale investment, interest income and finance costs, gain on disposals of an associate, subsidaires, available-for-sale investment and interest income. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

9. Segment Information *(Continued)*

Segment assets and liabilities

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

Segment assets

	2015 **RMB'000**	2014 *RMB'000* (Restated)
Luminous materials production and sales	**383,138**	402,742
Liquid crystal related products production and sales	**255,806**	278,823
Solar photovoltaic glass production and sales	**1,528,817**	1,549,563
Others	**123,805**	67,097
Total segment assets	**2,291,566**	2,298,225
Assets relating to discontinued operation	**–**	5,636,766
Unallocated assets	**865,940**	839,685
Consolidated total assets	**3,157,506**	8,774,676

Segment liabilities

	2015 **RMB'000**	2014 *RMB'000* (Restated)
Luminous materials production and sales	**115,355**	151,391
Liquid crystal related products production and sales	**74,299**	167,533
Solar photovoltaic glass production and sales	**884,662**	609,345
Others	**68,134**	54,032
Total segment liabilities	**1,142,450**	982,301
Liabilities relating to discontinued operation	**–**	1,452,156
Unallocated liabilities	**1,886,803**	5,703,643
Consolidated total liabilities	**3,029,253**	8,138,100

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. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

– all liabilities are allocated to operating segments other than tax payables, deferred tax liabilities, bank and other borrowings, obligations under finance leases, liabilities for cash-settled share-based payment and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

9. Segment Information *(Continued)*

Other segment information

For the year ended 31 December 2015

Continuing operations

	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:						
Additions to non-current assets	767	4,072	431,887	27,759	131,732	596,217
Amortisation of leasehold land and land use rights and intangible assets	108	28	2,720	2,971	–	5,827
Depreciation of property, plant and equipment	1,873	257	30,110	2,522	–	34,762
Allowance for doubtful debts of trade and other receivables	6,373	686	1,815	–	–	8,874
Allowance for inventories	1,468	1,109	520	265	–	3,362
Provision for warranty	–	–	1,904	2,000	–	3,904
Gain on disposal of property, plant and equipment	–	–	–	(2,697)	–	(2,697)
Gain on disposal of non-current assets classified as held for sale	–	–	–	(5,998)	–	(5,998)
Gain on sales of raw materials, scraps and packaging materials	(355)	–	(269)	(3,832)	–	(4,456)
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:						
Amortisation of deferred income on government grants received	(11,096)	–	(2,681)	–	–	(13,777)
Interests in associates	–	–	–	–	31,721	31,721
Impairment loss recognised in respect of interests in associates	–	–	–	–	40,145	40,145
Share of loss of associates	–	–	–	–	174	174
Interest income	–	–	–	–	(7,803)	(7,803)
Finance costs	–	–	–	–	106,341	106,341
Income tax expenses	–	–	–	–	297	297
Depreciation of investment properties	–	–	–	–	699	699

9. Segment Information *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2014

	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:						
Additions to non-current assets *(Note)*	3,504	2,564	175,993	207,364	1,201	390,626
Amortisation of leasehold land and land use rights and intangible assets	106	17	518	–	–	641
Depreciation of property, plant and equipment	45,108	3,975	72,312	7,874	–	129,269
Impairment losses recognised in respect of property, plant and equipment	17,216	2,295	199,560	206,614	–	425,685
Allowance for doubtful debts of trade and other receivables	543	–	–	855	–	1,398
Allowance for inventories	5,685	110	–	17,714	–	23,509
Provision for warranty	–	–	1,196	1,720	–	2,916
Gain on disposal of property, plant and equipment	–	–	–	(16,335)	–	(16,335)
Reversal of allowance for doubtful debts of trade and other receivables	(453)	(1,985)	(2,374)	–	–	(4,812)
Gain on sales of raw materials, scraps and packaging materials	–	–	(9,569)	(7,069)	–	(16,638)
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:						
Amortisation of deferred income on government grants received	(10,177)	(1,575)	(1,551)	(1,514)	–	(14,817)
Interests in associates	–	–	–	–	72,040	72,040
Share of loss of associates	–	–	–	–	32,091	32,091
Interest income	–	–	–	–	(9,068)	(9,068)
Finance costs	7,996	1,360	27,653	–	102,525	139,534
Income tax expenses	856	437	–	–	–	1,293
Depreciation of investment properties	–	–	–	–	1,335	1,335

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

9. Segment Information *(Continued)*

Geographical information

The Group's operation is located in the PRC (country of domicile).

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations as below:

	2015 ***RMB'000***	2014 *RMB'000* (Restated)
The PRC (excluding Hong Kong)	**1,451,434**	1,742,319
Hong Kong	**314**	134,225
Other countries	**34,170**	182,175
	1,485,918	2,058,719

An analysis of non-current assets excluding financial instruments by geographical location in which the assets are located has not been presented as the Group's non-current assets are all located in the PRC.

Information about major customers

The Group has identified one customer (2014: one) which individually represented over 10% of the Group's total external sales.

The sales to the major customer during the years are as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Customer A[1]	**265,014**	394,117

1 Revenue from production of liquid crystal related products.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

10. Other Operating Income

	2015 RMB'000	2014 RMB'000 (Restated)
Continuing operations		
Gain on disposal of property, plant and equipment	**2,697**	16,335
Gain on disposal of non-current assets classified as held for sale	**5,998**	–
Interest income	**7,803**	9,068
Gain on sales of raw materials, scraps and packaging materials	**4,456**	16,638
Reversal of allowance for doubtful debts of trade and other receivables	**–**	4,812
Rental income *(Note a)*	**18,310**	9,041
Amortisation of deferred income on government grants received *(Note 39)*	**13,777**	14,817
Others	**3,434**	9,450
	56,475	80,161

Note:

(a) The direct operating expenses from investment properties that generated rental income amounted to approximately RMB290,000 (2014: RMB662,000) for the year ended 31 December 2015.

11. Finance Costs

	2015 RMB'000	2014 RMB'000 (Restated)
Continuing operations		
Interest on:		
Bank and other borrowings	**58,585**	129,986
Discounted trade receivables to banks	**289**	859
Termination benefits *(Note 36)*	**2,315**	4,216
Obligations under finance leases	**–**	1,767
Amount due to parent company *(Note 43D(ii))*	**45,152**	2,706
Total borrowing costs	**106,341**	139,534

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

12. Income Tax Expense

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
PRC Enterprise Income Tax		
Current tax	**297**	1,772
Deferred tax *(Note 40)*	**–**	(479)
Income tax expense	**297**	1,293

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 year ended 31 December 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%.

12. Income Tax Expense *(Continued)*

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and comprehensive income as follows:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Loss before tax from continuing operations	**(579,913)**	(546,824)
Tax calculated at the statutory tax rate of 25% (2014: 25%)	**(144,978)**	(136,706)
Tax effect of share of loss of associates	**44**	4,552
Tax effect of expenses not deductible for tax purpose	**77,768**	86,721
Tax effect of income not taxable for tax purposes	**(125)**	(30,584)
Tax effect of tax losses not recognised	**67,588**	75,255
Tax effect of deductible temporary differences not recognised	**–**	2,055
Income tax expense relating to continuing operation	**297**	1,293

Details of deferred taxation are shown in Note 40.

13. 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 consolidated financial statements as a discontinued operation.

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

	2015	2014
	RMB'000	*RMB'000*
Loss of TFT-LCD glass substrate and display devices production and sales for the year	**(202,219)**	(1,144,225)
Gain on disposal of TFT-LCD glass substrate and display devices production and sales *(Note 26)*	**1,308,081**	–
	1,105,862	(1,144,225)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

13. 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 consolidated statement of profit or loss and other comprehensive income, were as follows:

	2015 RMB'000	2014 RMB'000
Turnover	**75,691**	159,558
Cost of sales	**(89,635)**	(232,949)
Other operating income	**3,062**	29,800
Selling and distribution costs	**(23,989)**	(32,058)
Administrative expenses	**(57,832)**	(195,242)
Other operating expenses	**(24,450)**	(50,970)
Impairment loss recognised in respect of property, plant and equipment	**–**	(684,960)
Finance costs	**(85,066)**	(137,404)
Loss before tax	**(202,219)**	(1,144,225)
Income tax expenses	**–**	–
Loss for the period from discontinued operation	**(202,219)**	(1,144,225)
Profit (loss) for the year from discontinued operation include the following:		
Allowance for inventories (included in other operating expenses)	**24,364**	9,313
Depreciation for property, plant and equipment	**66,051**	47,314
Depreciation for investment properties	**59**	158
Amortisation of leasehold land and land use rights	**853**	2,046
Amortisation of intangible assets	**–**	117
Provision for warranty	**4,671**	5,941
Interest income	**(83)**	(3,857)
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**31**	2,574
Gain on disposal on property, plant and equipment	**(714)**	(634)
Employee benefit expenses	**18,848**	154,996

During the period from 1 January 2015 to 29 May 2015, A Share Company contributed RMB4,775,000 (2014: RMB145,987,000) to the Group's net operating cash flows, paid RMB213,324,000 (2014: received RMB200,682,000) in respect of investing activities and received RMB319,093,000 (2014: paid 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 26.

14. Loss for the year from Continuing Operations

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

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories recognised as an expense	**1,447,291**	2,030,067
Depreciation for property, plant and equipment	**34,762**	129,269
Depreciation for investment properties	**640**	1,335
Amortisation of leasehold land and land use rights	**3,023**	570
Amortisation of intangible assets	**2,804**	71
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**8,874**	1,398
Research and development costs recognised as an expense	**3,208**	4,134
Allowance for inventories (included in other operating expenses)	**3,362**	23,509
Operating lease rentals in respect of leasehold land and land use rights	**2,661**	2,782
Operating lease rentals in respect of property, plant and equipment	**14,964**	14,922
Net foreign exchange losses	**49**	59
Provision for warranty *(Note 34(i))*	**3,904**	2,916
Cash-settled share-based payments expense *(Note 34(ii))*	**–**	123
Legal compensation *(Note)*	**14,849**	–
Auditor's remuneration	**2,520**	2,645
Share of tax of associates (included in share of loss of associates)	**16**	15

Note: The amount represents a compensation for breach of contract for acquisition of equity interest of an associated company. Listed equity securities of approximately RMB14,849,000 have been transferred to settle the amount.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

15. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments

(a) Directors', chief executive's, supervisors' and senior management's emoluments

(i) The emoluments of each director, chief executive, supervisor and senior management pursuant to Section 78 of Schedule 11 to the Hong Kong Companies Ordinance for the year ended 31 December 2015 are set out below:

Name	Fee *RMB'000*	Salaries and allowance *RMB'000*	Pension scheme contribution *RMB'000*	Performance-linked salary (Note) *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Zho Changfu *(Note 7)*	–	–	–	–	–
Mr. Si Yuncong *(Note 6)*	–	–	–	–	–
Mr. Guo Mengquan (Chief Executive) *(Note 5)*	–	–	–	–	–
Mr. Zhang Junhua *(Note 5)*	–	–	–	–	–
Non-executive directors					
Mr. Si Yuncong *(Note 5)*	–	–	–	–	–
Mr. Huang Mingyan	–	–	–	–	–
Mr. Jiang Ahe	–	–	–	–	–
Independent non-executive directors					
Mr. Xu Xinzhong *(Note 5)*	87	–	–	–	87
Mr. Feng Bing	100	–	–	–	100
Mr. Wang Jialu	100	–	–	–	100
Mr. Wang Zhicheng	100	–	–	–	100
Supervisors					
Mr. Tang Haobao	–	249	57	–	306
Mr. Sun Haiying	80	–	–	–	80
Ms. Wu Xiaoguang	80	–	–	–	80
Mr. Zhao Lefei	–	139	46	–	185
Mr. Zhu Yiming	–	–	–	–	–
Senior management					
Mr. Ma Zhibin	–	304	57	–	361
Mr. Zho Changfu	–	347	57	–	404
Mr. Chu Xiaohang	–	230	57	–	287
Mr. Ma Jianchao	–	272	57	–	329
Mr. Hong Yuan	–	302	57	–	359
	547	1,843	388	–	2,778

15. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors', chief executive's, supervisors' and senior management's emoluments *(Continued)*

(ii) The emoluments of each director, chief executive, supervisor and senior management pursuant to the Hong Kong Companies Ordinance for the year ended 31 December 2014 are set out below:

Name	Fee *RMB'000*	Salaries and allowance *RMB'000*	Pension scheme contribution *RMB'000*	Performance-linked salary (Note) *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Guo Mengquan (Chief Executive)	–	–	–	–	–
Mr. Zhang Junhua	–	–	–	–	–
Non-executive directors					
Mr. Si Yuncong *(Note 5)*	–	–	–	–	–
Mr. Huang Mingyan	–	–	–	–	–
Mr. Jiang Ahe	–	–	–	–	–
Independent non-executive directors					
Mr. Xu Xinzhong	100	–	–	–	100
Mr. Feng Bing	100	–	–	–	100
Mr. Wang Jialu	100	–	–	–	100
Mr. Wang Zhicheng	100	–	–	–	100
Supervisors					
Mr. Tang Haobao	–	247	29	–	276
Mr. Sun Haiying	80	–	–	–	80
Ms. Wu Xiaoguang	80	–	–	–	80
Mr. Zhang Heping *(Note 3)*	–	44	15	–	59
Mr. Zhu Yiming	–	–	–	–	–
Mr. Zhao Lefei *(Note 2)*	–	21	3	–	24
Senior management					
Mr. Ma Zhibin *(Note 4)*	–	185	12	–	197
Mr. Zho Changfu	–	322	29	–	351
Mr. Chu Xiaohang	–	231	29	–	260
Mr. Ma Jianchao	–	272	29	–	301
Mr. Hong Yuan	–	268	29	–	297
Ms. Han Bin *(Note 1)*	–	37	12	–	49
	560	1,627	187	–	2,374

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

15. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors', chief executive's, supervisors' and senior management's emoluments *(Continued)*

Note: The performance-linked salary is based on operating appraisal results and basic salary of each director, supervisor and senior management, which is determined by reference to the appraisal grade and scores for the annual operating results of enterprise representative. Since 2009, 80% of the performance-linked salary is paid in the relevant period while the remaining 20% would be accumulated and deferred until the expiry of their contract. The performance-linked salary scheme was under executions for the three years ended 31 December 2011, which is expired during the year ended 31 December 2014.

During the year ended 31 December 2015 and 2014, all executive and non-executive directors emoluments are borne by IRICO Group Corporation. No apportionment has been made as the directors of the Company consider that it is impracticable to apportion this amount between their services to the Group and their services to IRICO Group. The amounts disclosed above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking. No emoluments were paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

The cash-settled share-based payments expense of each director, supervisor and senior management for the years ended 31 December 2015 and 2014 are set out below:

Name	**2015** ***RMB'000***	2014 *RMB'000*
Executive directors		
Mr. Guo Mengquan	–	20
Mr. Xing Daoqin*	–	30
Mr. Zhang Junhua	–	25
Supervisors		
Mr. Tang Haobao	–	12
Senior management		
Mr. Zho Changfu	–	14
Mr. Chu Xiaohang	–	10
Mr. Ma Jianchao	–	12
	–	123

* Mr. Xing Daoqin has passed away on 6 November 2011, his granted scheme will be exercisable by his statutory successor until the scheme expiry date.

15. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors', chief executive's, supervisors' and senior management's emoluments *(Continued)*

Notes:

(1) Resigned on 15 May 2014.

(2) Appointed on 3 November 2014.

(3) Passed away on June 2014.

(4) Appointed on 29 July 2014.

(5) Resigned on 24 September 2015.

(6) Appointed on 24 September 2015.

(7) Appointed on 13 November 2015.

(b) Five highest paid individuals

During the year 2015, the five individuals whose emoluments were the highest in the Group for the year include four senior management and one supervisor (2014: four senior management and one supervisors) whose emoluments are reflected in the analysis presented above. Their emoluments were within the band of less than HK$1,000,000 (equivalent to approximately RMB838,000 (2014: RMB811,000) for the year).

During the two years ended 31 December 2015 and 2014, no directors, chief executive, supervisors and senior management or the five highest paid individuals of the Company waived or agreed to waive any emoluments and no emolument was paid by the Group to any of the directors, chief executive, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

16. Employees' Emoluments (Excluding Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments)

	2015	2014
	RMB'000	*RMB'000*
Wages and salaries	**149,571**	239,881
Retirement benefit contributions		
– pension obligations *(Note)*	**34,214**	37,881
– one-off termination benefits	**1,345**	3,100
– early retirement benefits	**32,654**	43,011
Welfare and social security costs	**52,432**	67,901
	270,216	391,774

Note: As stipulated by the rules and regulations in the PRC, the Group has participated in state-managed defined contribution retirement plans for its employees in the PRC. The Group and the eligible employees are required to contribute 20% and 8% (2014: 20% and 8%), respectively, of the employee's basic salary. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees. The Group has no further pension obligation beyond the above contributions. During the year ended 31 December 2015, the amount of RMB34,214,000 (2014: RMB37,881,000) of retirement benefit contributions for employees was recognsied to profit and loss.

17. Dividend

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

18. 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:

	2015	2014
Profit (loss) for the year attributable to the owners of the Company *(RMB'000)*	**643,996**	(814,280)
Weighted average number of ordinary shares in issue *('000 shares)*	**2,232,349**	2,232,349

18. Earnings (Loss) Per Share *(Continued)*

For continuing operations

The calculation of basic and diluted loss 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:

	2015 **RMB'000**	2014 *RMB'000*
Profit (loss) for the year attributable to the owners of the Company	**643,996**	(814,280)
Less: profit (loss) for the year from discontinued operation	**1,221,770**	(119,892)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(577,774)**	(694,388)

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

For discontinued operation

Basic and diluted earnings per share for the discontinued operation is RMB0.55 per share (2014: loss of approximately RMB0.05 per share), based on the profit for the year attributable to the owners of the Company from the discontinued operation of RMB1,221,770,000 (2014: loss of approximately RMB119,892,000) 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 years ended 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

19. Property, Plant and Equipment

	Buildings	Machinery for electronics production	Machinery for glass production	Other machinery	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2014	1,281,957	1,773,469	731,835	859,067	116,213	7,629,613	12,392,154
Additions	120	20,445	47,017	25,867	1,842	295,335	390,626
Reclassification upon completion	264,288	373,868	142,553	838,574	93,607	(1,712,890)	–
Reclassification to investment property	(7,034)	–	–	–	–	–	(7,034)
Reclassification to asset held for sale	–	(37,188)	–	(47,153)	(862)	–	(85,203)
Release upon disposal of subsidiaries	–	(369,075)	(203,014)	(83,227)	(2,164)	–	(657,480)
Disposals	(18,267)	(758,179)	(40,322)	(198,735)	(19,331)	–	(1,034,834)
At 31 December 2014 and 1 January 2015	**1,521,064**	**1,003,340**	**678,069**	**1,394,393**	**189,305**	**6,212,058**	**10,998,229**
Additions	**105**	**7,019**	**170,989**	**201,557**	**1,161**	**2,636**	**383,467**
Reclassification upon completion	**–**	**963**	**–**	**6,233**	**29**	**(7,225)**	**–**
Acquisition of a subsidiary	**702**	**6**	**–**	**–**	**76**	**–**	**784**
Release upon disposal of a subsidiary	**(886,840)**	**(661,111)**	**(203,212)**	**(1,552,240)**	**(142,434)**	**(4,140,802)**	**(7,586,639)**
Disposals	**(232)**	**(3,076)**	**–**	**(24,378)**	**(5,123)**	**–**	**(32,809)**
At 31 December 2015	**634,799**	**347,141**	**645,846**	**25,565**	**43,014**	**2,066,667**	**3,763,032**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

19. Property, Plant and Equipment *(Continued)*

	Buildings	Machinery for electronics production	Machinery for glass production	Other machinery	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	189,124	1,561,514	628,692	24,694	82,323	2,152,629	4,638,976
Depreciation charged for the year	45,534	38,653	35,903	36,876	19,617	–	176,583
Impairment loss recognised for the year	17,423	–	38,825	355,215	–	699,182	1,110,645
Eliminated upon reclassified to investment properties	(291)	–	–	–	–	–	(291)
Reclassification to asset held for sale	–	(36,565)	–	(44,140)	(835)	–	(81,540)
Release upon disposal of subsidiaries	–	(294,973)	–	(14,311)	(1,020)	–	(310,304)
Eliminated on disposals	(3,157)	(712,296)	(31,190)	(269,852)	(8,158)	–	(1,024,653)
At 31 December 2014 and 1 January 2015	**248,633**	**556,333**	**672,230**	**88,482**	**91,927**	**2,851,811**	**4,509,416**
Depreciation charged for the year	**32,159**	**23,432**	**13,914**	**20,817**	**10,491**	**–**	**100,813**
Release upon disposal of a subsidiary	**(117,174)**	**(308,157)**	**(44,246)**	**(80,170)**	**(59,001)**	**(1,429,374)**	**(2,038,122)**
Eliminated on disposals	**(328)**	**(247)**	**(112)**	**(14,631)**	**(5,481)**	**–**	**(20,799)**
At 31 December 2015	**163,290**	**271,361**	**641,786**	**14,498**	**37,936**	**1,422,437**	**2,551,308**
CARRYING VALUES							
At 31 December 2015	**471,509**	**75,780**	**4,060**	**11,067**	**5,078**	**644,230**	**1,211,724**
At 31 December 2014	1,272,431	447,007	5,839	1,305,911	97,378	3,360,247	6,488,813

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

19. Property, Plant and Equipment *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	10 to 40 years
Machinery for electronics production	15 years
Machinery for glass production	6 to 18 years
Other machinery	18 years
Office equipment and others	5 years

The Group's depreciation charge of approximately RMB100,813,000 (2014: RMB113,517,000), RMB86,000 (2014: RMB123,000) and RMB12,158,000 (2014: RMB62,943,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

The official property title certificates of the Group's buildings with carrying value of approximately RMB424,072,000 (2014: RMB1,110,758,000) have not yet been issued by the relevant local government authorities. The directors of the Company are of the opinion that the Group's right and interest in such buildings will not be therefore severely prejudiced and the application of the title certificates are in progress.

As at 31 December 2015, bank borrowings of the Group amounting to approximately RMB52,000,000 (2014: RMB2,224,554,000) are secured by the Group's buildings and machineries with the carrying value of approximately RMB14,720,000 (2014: RMB2,637,358,000) (Note 35(i)).

20. Investment Properties

	RMB'000
COST	
At 1 January 2014	25,142
Reclassification from property, plant and equipment	6,743
Disposal	(523)
Release upon disposal of a subsidiary	(19,892)
At 31 December 2014 and 1 January 2015	**11,470**
Release upon disposal of a subsidiary	**(2,391)**
At 31 December 2015	**9,079**
DEPRECIATION	
At 1 January 2014	1,869
Eliminated upon disposal	(236)
Release upon disposal of a subsidiary	(1,850)
Depreciation charged for the year	1,493
At 31 December 2014 and 1 January 2015	**1,276**
Release upon disposal of a subsidiary	**(60)**
Depreciation charged for the year	**699**
At 31 December 2015	**1,915**
CARRYING VALUES	
At 31 December 2015	**7,164**
At 31 December 2014	10,194

The above investment properties were depreciated on a straight-line basis at 3.33% per annum.

The investment properties were located in the PRC and were held to earn rentals or for capital appreciation. The investment properties are carried at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

20. Investment Properties *(Continued)*

As at 31 December 2015 and 2014, in the opinion of the directors of the Company, the fair values of the investment properties were approximated to their carrying values with reference to the recent market prices for similar properties in the same locations and conditions. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 are as follows:

	Level 2 *RMB'000*	**Fair value as at 31 December 2015** *RMB'000*
Residential properties located in the PRC	**7,164**	**7,164**

The valuation technique used in the valuating the investment properties is direct comparison method. Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.

21. Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their carrying values are analysed as follows:

	RMB'000
COST	
At 1 January 2014	305,525
Disposals	(74,326)
At 31 December 2014 and 1 January 2015	**231,199**
Release upon disposal of a subsidiary	**(102,307)**
At 31 December 2015	**128,892**
AMORTISATION	
At 1 January 2014	22,882
Provided for the year	2,616
Release upon disposal of a subsidiary	(5,749)
At 31 December 2014 and 1 January 2015	**19,749**
Provided for the year	**3,876**
Release upon disposal of a subsidiary	**(11,993)**
At 31 December 2015	**11,632**
CARRYING VALUES	
At 31 December 2015	**117,260**
At 31 December 2014	211,450

The Group's leasehold land and land use rights comprise:

	2015 **RMB'000**	2014 *RMB'000*
Analysed for reporting purposes as:		
– current asset (included in other receivables, deposits and prepayments)	**3,023**	5,250
– non-current asset	**114,237**	206,200
	117,260	211,450

As at 31 December 2015, bank borrowings of the Group amounting to approximately RMB52,000,000 (2014: RMB781,560,000) are secured by the Group's leasehold land and land use rights.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

22. Intangible Assets

	Licences for technical knowledge *RMB'000*	**Computer software** *RMB'000*	**Mining right** *RMB'000*	**Total** *RMB'000*
COST				
At 1 January 2014	367,288	4,637	–	371,925
Release upon disposal of subsidiaries	–	(154)	–	(154)
At 31 December 2014 and 1 January 2015	**367,288**	**4,483**	**–**	**371,771**
Acquisition of a subsidiary	**–**	**–**	**27,757**	**27,757**
Release upon disposal of a subsidiary	**(3,172)**	**(2,394)**	**–**	**(5,566)**
At 31 December 2015	**364,116**	**2,089**	**27,757**	**393,962**
AMOTISATION				
At 1 January 2014	367,259	4,389	–	371,648
Provided for the year	29	159	–	188
Release upon disposal of subsidiaries	–	(93)	–	(93)
At 31 December 2014 and 1 January 2015	**367,288**	**4,455**	**–**	**371,743**
Provided for the year	**–**	**28**	**2,776**	**2,804**
Release upon disposal of a subsidiary	**(3,172)**	**(2,394)**	**–**	**(5,566)**
At 31 December 2015	**364,116**	**2,089**	**2,776**	**368,981**
CARRYING VALUES				
At 31 December 2015	**–**	**–**	**24,981**	**24,981**
At 31 December 2014	–	28	–	28

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Licences for technical knowledge	20 years
Computer software	5 years
Mining right	10 years

The Group's amortisation of approximately nil (2014: RMB129,000) has been included in cost of sales and approximately RMB2,804,000 (2014: RMB59,000) has been included in the administrative expenses.

All of the Group's intangible assets were acquired from third parties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

23. Investments in Subsidiaries

	2015 **RMB'000**	2014 RMB'000
Investments, at cost:		
Shares in a listed company in the PRC	**–**	425,596
Unlisted equity interest	**789,703**	732,462
Less: impairment loss on unlisted equity investments	**(663,673)**	(375,362)
	126,030	782,696

During the year, the Company has disposed 99,460,000 shares (2014: 29,100,000 shares) and therefore lost control in A Share Company. As at 31 December 2015, the Group's shares in a listed company in the PRC represent a 4.95% (2014: 18.45%) equity interest in A Share Company, a company listed on the Shanghai Stock Exchange of the PRC. The remaining equity interest in A Share Company is recognised as available-for-sale financial asset as disclosed in Note 25.

As at 31 December 2015 and 2014, the Company had direct and indirect interests in the following subsidiaries, all of which were established and operated in the PRC. The particulars of the principal subsidiaries are set out below:

Name	Registered/ paid in capital	Proportion ownership interest/voting power held by the Company		Principal activities
		Directly	Indirectly	
A Share Company	RMB736,757,688	– (2014: 18.45%) *(Notes (i))*	–	Production and development of the electronic products and raw materials for colour display devices
IRICO Kunshan Industry Co., Ltd.	RMB60,000,000	80%	10%	Production of the rubber parts of CPTs
Shaanxi IRICO Phosphor Material Co., Ltd.	RMB95,000,000	47.89%	28.42%	Production of phosphor for various types of CPTs
Xianyang IRICO Electronic Parts Co., Ltd.	RMB55,000,000	60%	–	Sales of shadow mask, frames and electronic products for CPTs
IRICO (Zhangjiagang) Flat Panel Display Co., Ltd.	RMB1,023,000,000	–	– (2014: 97.75%) *(Notes (i))*	Development of advanced thin film TFT-LCD glass substrate production line project
IRICO (Heifei) Photovoltaic Co., Ltd.	RMB405,000,000	100%	–	Production and sales of photovoltaic glasses

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

23. Investments in Subsidiaries *(Continued)*

Name	Registered/ paid in capital	Proportion ownership interest/voting power held by the Company		Principal activities
		Directly	Indirectly	
IRICO (Hefei) LCD Glass Co., Ltd.	RMB1,820,000,000	–	– (2014: 99.37%) *(Notes (i))*	Setting up of project research of liquid crystal display ("LCD") glass substrate
IRICO Shadow Mask	US$5,000,000	75%	25%	Development and production of the flat shadow mask and the coordinating products for CPTs
Zhuhai Caizhu Industrial Co., Ltd.	RMB50,000,000	100% *(Note (iii))*	–	Manufacture of electronic devices and components
IRICO Group Electronics (Hong Kong) Company Limited	HK$260,000	100%	–	Investment holding
Shaanxi IRICO Electronics Glass Company Limited	RMB3,984,357,537	7.30%	90.21%	Production of LCD glass substrate
Zhongshan Caizu Electronics and Technology Co., Ltd.	RMB2,000,000	–	100%	Manufacture of electronic devices and components
合肥彩虹新能源有限公司	RMB30,000,000	100% *(Note (ii))*	–	Inactive
漢中佳潤澤礦業開發有限責任公司	RMB3,000,000	51%	–	Mining exploration

None of subsidiaries had issued any debt securities at the end or at any time during the year ended 31 December 2015 (2014: nil).

23. Investments in Subsidiaries *(Continued)*

Notes:

(i) During the year ended 31 December 2015, the Group has disposed approximately 13.5% equity interests in A Share Company. Details refer to Note 26.

(ii) Newly incorporated on 4 September 2014.

(iii) On 4 July 2014, the Group has acquired the equity interests in, Zhuhai Caizhu Industrial Co., Ltd., which is a subsidiary of IRICO Group with consideration of approximately RMB14,600,000. The equity interest held by the Group increased from 90% to 100%. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the year is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	12,044
Consideration paid to non-controlling interests	(14,600)
Excess of consideration paid recognised within equity	(2,556)

(iv) During the year ended 31 December 2014, IRICO (Foshan) Video Technology Co., Ltd., Kunshan Caihong Yingguang Electronics Co., Ltd., IRICO (Foshan) Flat Panel Display Glass Company Limited and Nanjing Reide were deregistered.

As set out in the Company's announcement dated 15 October 2010, the Company has pledged 70,000,000 unrestricted tradable shares in A Share Company to China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司) ("CFET") for a term of 36 months. The shares were pledged as security of a financing arrangement pursuant to which the Company received a loan of approximately RMB100,000,000 (Note 34(iii)).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

23. Investments in Subsidiaries *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiary	Place of incorporation and principal place of business	Proportion ownership interest and voting power held by the non-controlling interests		Loss allocated to non-controlling		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
A Share Company	The PRC	**–**	81.55%	**(115,908)**	(123,970)	**–**	1,576,120
Individually immaterial subsidiaries with non-controlling interests				**(2,436)**	(754,092)	**86,090**	(337,539)
				(118,344)	(878,062)	**86,090**	1,238,581

As at 31 December 2014, A Share Company is listed on the stock exchange of Shanghai Stock Exchange of the PRC. Although the Group has only 18.45% ownership in A Share Company, the directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of A Share Company on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 81.55% ownership interests in A Share Company are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 1%.

24. Interests in Associates/Investments in Associates

	2015	2014
	RMB'000	*RMB'000*
Cost of investment in associates – unlisted equity interests in the PRC	**78,464**	78,464
Share of post-acquisition loss and other comprehensive expense, net of dividends received	**(6,598)**	(6,424)
	71,866	72,040
Less: provision for impairment loss on investments in associates	**(40,145)**	–
	31,721	72,040

24. Interests in Associates/Investments in Associates *(Continued)*

During the year ended 31 December 2014, the Group has disposed its 20% interests in Sichun Shuanghong to IRICO Group with consideration of approximately RMB90,950,000 and a gain on such disposal of RMB81,864,000 was recognised.

As at 31 December 2015 and 2014, the Group had interests in the following associates, all of which were established and operated in the PRC.

Name	Registered/ paid in capital *RMB'000*	Proportion ownership interest and voting power held by the Company		Principal activities
		Directly	Indirectly	
Shenzhen Ruisheng Phosphor Material Co., Ltd.	4,000	–	40%	Production regenerated red, green and blue phosphor materials
Jiangsu Yongneng Photovoltaic Technology Co., Ltd. ("Jiangsu Yongneng")	73,500	21%	–	Research and development and manufacturing of solar cells, solar modules and research and development, design, installation, maintenance and sales of solar photovoltaic systems and photovoltaic integrated products

Note: Included in the carrying of interests in associates, there was goodwill of approximately RMB40,347,000 resulted from the acquisition of Jiangsu Yongneng in 2012. The directors of the Company reviewed the carrying amount in the equity interest of the associates at 31 December 2014 and 2015. In view of the recurring operating losses of associates, the directors of the Company are of the opinion that the recoverable amount less than its respective carrying amount. Due to the equity interest is issued by private entity, open market value is unavailable. The carrying value of the associate is test for impairment by estimating the future cash flows, at discount rate 8.2% used, expected to arise and the expected dividend yield from the associates in order to calculate the present value. Accordingly an impairment loss of approximately HK$40,145,000 (2014: nil) is recogised in the consolidated statement of profit or loss for the year ended 31 December 2015.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Information of the associates that are not individually material, the aggregated financial information of associates is summarised as below:

	2015 **RMB'000**	2014 RMB'000
The Group's share of loss for the year	**174**	18,208
The Group's share of other comprehensive expense for the year	**–**	239
The Group's share of loss for the year and total comprehensive expense for the year	**174**	18,447
Carrying amount of the Group's interests in the associates	**31,721**	72,040

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

25. Available-for-sale Financial Assets

	2015 **RMB'000**	2014 RMB'000
Listed equity securities, at fair value *(Note a)*	**380,462**	–
Unlisted equity securities, at cost *(Note b)*	**102,916**	–
	483,378	–

Notes:

(a) As at 31 December 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. 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), established 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.

26. Disposal of Subsidiaries

For the year ended 31 December 2015

On 6 February 2015, the Company and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("Xianyang IRICO"), a subsidiary of CEC, entered into the agreement, pursuant to which the Company conditionally agreed to sell, and Xianyang IRICO conditionally agreed to acquire, 99,460,000 shares of A Share Company, representing approximately 13.5% of the issued share capital of A Share Company, at a cash consideration of approximately RMB897,129,000 with related tax expenses incurred of approximately RMB34,671,000. The transaction is completed on 29 May 2015.

* English name for identification purpose only

26. Disposal of Subsidiaries *(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	**5,548,517**
Leasehold land and land use right	**90,314**
Investment properties	**2,331**
Trade and bills receivables	**176,258**
Other receivables	**821,467**
Inventories	**140,002**
Bank balances and cash	**157,347**
Trade and bills payable	**(858,062)**
Other payable	**(113,475)**
Bank and other borrowings	**(4,308,369)**
Deferred income	**(281,677)**
	1,374,653
Gain on disposal of subsidiaries:	
Net consideration received	**862,458**
Fair value of the equity interests retained classified as available-for-sale financial assets	**775,058**
Net assets disposed of	**(1,374,653)**
Non-controlling interests	**1,045,218**
Gain on disposal	**1,308,081**
The gain on disposal is included in the profit for the period from discontinued operation *(see Note 13)*	
Net cash outflow arising on disposal	**–**
Cash consideration	**862,458**
Cash and cash equivalents disposed of	**(157,347)**
	705,111

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 RMB4,775,000 to the Group's loss and net cash flows respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

26. Disposal of Subsidiaries *(Continued)*

For the year ended 31 December 2014

On 11 April 2014, 19 November 2014 and 30 December 2014, the Group completed the disposal of the entire equity interests in IRICO (Foshan) Flat Panel Display Co., Ltd.* (彩虹(佛山)平板顯示有限公司) ("佛山平板"), Xi'an IRICO Zixun Co., Ltd* (西安彩虹資訊有限公司) ("IRICO Zixun") and 75% equity interests in Xi'an Cairui Display Technology Co., Ltd* (西安彩瑞顯示技術有限公司) ("Cairui Display"), at a cash consideration of approximately RMB1, RMB187,860,000, RMB30,510,000 to IRICO Group and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), which is 45.67% held by IRICO Group.

* English name for identification purpose only

The net assets and liabilities of 佛山平板, IRICO Zixun and Cairui Display at the date of disposal were as follows:

	佛山平板 *RMB'000*	IRICO Zixun *RMB'000*	Cairui Display *RMB'000*	Total *RMB'000*
Analysis of asset and liabilities disposal of				
Plant and equipment	339,065	–	8,111	347,176
Properties under development	–	56,387	–	56,387
Leasehold land and land use right	62,474	–	4,789	67,263
Investment properties	–	–	18,042	18,042
Intangible assets	–	61	–	61
Trade and other receivables	21,225	10,565	747	32,537
Inventories	2,152	–	–	2,152
Bank balances and cash	13,675	52,360	720	66,755
Trade payable	(71,326)	(659)	(270)	(72,255)
Other payable	(682,040)	(36,431)	(9,884)	(728,355)
Bank and other borrowings	(256,792)	–	–	(256,792)
Deferred income	(178,606)	–	–	(178,606)
	(750,173)	82,283	22,255	(645,635)
Non-controlling interest	438,403	–	(5,564)	432,839
	(311,770)	82,283	16,691	(212,796)

26. Disposal of Subsidiaries *(Continued)*

For the year ended 31 December 2014 *(Continued)*

	佛山平板 *RMB'000*	IRICO Zixun *RMB'000*	Cairui Display *RMB'000*	Total *RMB'000*
Deemed capital contribution arising from the disposal of subsidiaries to its parent company	311,770	–	–	311,770
Gain on disposal of subsidiaries	–	105,577	13,819	119,396
Total consideration	–	187,860	30,510	218,370
Satisfied by cash	–	187,860	30,510	218,370
Net cash outflow arising on disposal				
Cash consideration	–	187,860	30,510	218,370
Cash and cash equivalents disposed of	(13,675)	(52,360)	(720)	(66,755)
	(13,675)	135,500	29,790	151,615

During the year ended 31 December 2014, the disposed subsidiaries contributed a loss and cash outflow from operating activities of approximately RMB119,396,000 and RMB151,615,000 to the Group's loss and net cash flows respectively.

27. Inventories

	2015 ***RMB'000***	2014 *RMB'000*
Raw materials	**47,470**	39,188
Work in progress	**4,050**	10,641
Finished goods	**78,708**	162,569
Consumables	**16,408**	57,016
	146,636	269,414
Allowance of inventories	**(16,018)**	(37,293)
	130,618	232,121

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

28. Trade and Bills Receivables

	2015 **RMB'000**	2014 RMB'000
Trade receivables		
– third parties	**467,226**	419,907
– related parties *(Note 43E)*	**10,755**	30,906
	477,981	450,813
Less: allowance for doubtful debts	**(17,289)**	(9,735)
Trade receivables – net	**460,692**	441,078
Trade bills receivables		
– third parties	**157,396**	103,087
Total trade and bills receivables	**618,088**	544,165

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The Group allows an average credit period of 90 days (2014: 90 days) to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	2015 **RMB'000**	2014 RMB'000
0 to 90 days	**349,625**	367,481
91 to 180 days	**121,801**	140,592
181 to 365 days	**92,902**	32,444
Over 365 days	**53,760**	3,648
	618,088	544,165

Included in the Group's trade receivables are debtors (see below for aged analysis) with aggregate carrying amount of approximately RMB106,275,000 (2014: RMB97,884,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts. The directors of the Company determined that these receivables are due from customers of good credit quality with no history of default.

28. Trade and Bills Receivables *(Continued)*

Ageing of trade receivables which are past due but not impaired:

	2015 **RMB'000**	2014 RMB'000
91 to 180 days	**63,400**	58,486
181 to 365 days	**34,184**	31,485
Over 365 days	**8,691**	7,913
Total	**106,275**	97,884

The Group's past due but not impaired trade receivables mainly represent sales made to a large number of diversified and recognised and creditworthy customers. Customers who trade on credit terms are subject to credit verification procedures. No impairment loss is required for the past due balance based on the historical payment records.

The Group's trade receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the allowance for doubtful debts of trade receivables is as follows:

	2015 **RMB'000**	2014 RMB'000
At 1 January	**9,735**	22,596
Disposal of a subsidiary	**(167)**	–
Impairment losses recognised on trade receivables	**7,958**	1,208
Written-off	**–**	(11,818)
Amounts recovered during the year	**(237)**	(2,251)
At 31 December	**17,289**	9,735

Included in the allowance for doubtful debts of the Group is individually impaired trade receivables with an aggregated balance of approximately RMB17,289,000 (2014: RMB9,735,000) which has either been placed under liquidation or in severe financial difficulties.

As at 31 December 2015, the Group has approximately RMB5,243,000 (2014: RMB125,777,000) of trade receivables were denominated in USD while the remaining were denominated in RMB.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

28. Trade and Bills Receivables *(Continued)*

Transfers of financial assets

The following were the Group's financial assets as at 31 December 2015 and 2014 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (Note 35(i)). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Trade receivables discounted to bank with full recourse

	2015 ***RMB'000***	2014 *RMB'000*
Carrying amount of transferred assets	**–**	19,874
Carrying amount of associated liabilities	**–**	(2,022)
Net position	**–**	17,852

29. Other Receivables, Deposits and Prepayments

	2015 ***RMB'000***	2014 *RMB'000*
Other receivables	**15,801**	47,180
Less: allowance for doubtful debts	**(1,275)**	(3,643)
	14,526	43,537
Leasehold land and land use rights *(see Note 21)*	**3,023**	5,250
Deposits and prepayments	**86,355**	51,588
Value-added tax recoverables	**80,850**	845,408
	184,754	945,783

29. Other Receivables, Deposits and Prepayments *(Continued)*

The Group's other receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the age of balances and credit history of the counter parties. Consequently, specific impairment loss was recognised. The Group does not hold any collateral over these balances. The movement in the allowance for doubtful debts of other receivables is as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**3,643**	3,440
Disposal of a subsidiary	**(2,726)**	–
Impairment losses recognised on other receivables	**947**	2,764
Amounts recovered during the year	**(589)**	(2,561)
At 31 December	**1,275**	3,643

Included in the allowance for doubtful debts of the Group are individually impaired other receivables with an aggregated balance of approximately RMB1,275,000 (2014: RMB3,643,000) which have been placed in severe financial difficulties.

30. Restricted Bank Balances

All restricted bank balances are denominated in RMB.

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of bank acceptance notes to suppliers.

As at 31 December 2015, the fixed interest rates on restricted bank balances, with maturities from 3 months to 1 year (2014: from 3 months to 1 year), are ranging from 1.83% to 2.88% (2014: 1.81% to 2.87%) per annum.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

31. Bank Balances and Cash

The carrying amounts of the Group's bank balances and cash included balance denominated in the following foreign currency:

	2015	2014
	RMB'000	*RMB'000*
JPY	**–**	519
HKD	**73**	69
USD	**21,647**	60,065

The effective interest rate on other bank balances was at 0.31% (2014: 0.31%) per annum.

The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

32. 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 (2015: nil). 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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

33. Trade and Bills Payables

	2015 ***RMB'000***	2014 *RMB'000*
Trade payables		
– third parties	**275,096**	580,340
– related parties *(Note 43E)*	**189,058**	53,939
	464,154	634,279
Trade bills payables		
– third parties	**178,790**	55,046
– related parties *(Note 43E)*	**–**	5,000
	178,790	60,046
Total trade and bills payables	**642,944**	694,325

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	2015 ***RMB'000***	2014 *RMB'000*
0 to 90 days	**417,565**	439,933
91 to 180 days	**78,368**	43,884
181 to 365 days	**120,837**	144,102
Over 365 days	**26,174**	66,406
	642,944	694,325

The average credit period on purchases of goods is 90 days (2014: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

34. Other Payables and Accruals

	2015	2014
	RMB'000	*RMB'000*
Amount due to parent company *(Note 43C(i))*	**131,287**	30,832
Provision of warranty *(Note (i))*	**9,059**	12,189
Cash-settled share-based payments *(Note (ii))*	**8,622**	8,622
Others	**350,539**	664,845
	499,507	716,488

Notes:

(i) The movement of the provision of warranty is as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**12,189**	9,210
Charged to the consolidated statement of profit or loss and other comprehensive income *(Note 14)*	**8,575**	8,857
Disposal of a subsidiary	**(9,273)**	–
Utilised during the year	**(2,432)**	(5,878)
At 31 December	**9,059**	12,189

Under the terms of the Group's sales agreements, the Group will rectify product defects arising within three years from the date of sales. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the year prior to the end of the reporting period. The amount of provision takes into account the Group's recent claim experience, and the Group only makes provision where a claim is probable.

34. Other Payables and Accruals *(Continued)*

Notes: (Continued)

(ii) The Group implemented a share appreciation rights ("SARs") scheme to motivate and award the directors of the Company, supervisors, senior management and certain employees. Under this SARs scheme, SARs are granted in units representing one H share. No shares will be issued under the SARs scheme. Upon exercise of the SARs, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of SARs exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollars at the date of the exercise. The Company recognises compensation expense of the SARs over the applicable vesting period.

The SARs scheme had been approved by State-owned Assets Supervision and Administration Commission of the State Council on 15 February 2004.

Particulars of SARs scheme granted by the Group as at 31 December 2015 and 2014 are as follows:

For the year ended 31 December 2015

Date of grant	**Vesting period**	**Outstanding balance as at 1 Janaury 2015**	**Expired during the year**	**Outstanding balance as at 31 December 2015**
21 March 2010	21 March 2012 to 23 March 2014	**8,860,000**	**–**	**8,860,000**

For the year ended 31 December 2014

Date of grant	Vesting period	Outstanding balance as at 1 Janaury 2014	Expired during the year	Outstanding balance as at 31 December 2014
21 March 2008	21 March 2010 to 23 March 2012	9,320,000	9,320,000	–
21 March 2010	21 March 2012 to 23 March 2014	8,860,000	–	8,860,000

The fair value of the SARs is determined using the Binomial model based on the estimated future cash flows, which are based on the management's experience and historical payment record, risk-free rate ranging from 0.31% to 1.76% (2014: 0.31% to 1.76%) and expected volatility 9.62% (2014: 9.62%).

(iii) Under the scheme, all SARs had a contractual life of five to six years from the date of grant. A recipient of the SARs could not exercise the rights in the first year after the date of grant for which the SARs were granted before 1 January 2008. As at each of the second, third and fourth year after the date of grant, the total number of SARs exercisable may not in aggregate exceed one-third, two-third and 100%, respectively, of the total SARs granted to such person.

The SARs which have not been exercised after the expiration of the SARs scheme shall be lapsed.

At 31 December 2015, the Group has recorded liabilities of approximately RMB8,622,000 (2014: RMB8,622,000) and recorded total expenses of approximately nil (2014: RMB123,000) for the year then ended. During the year ended 31 December 2015, the total payment for the SARs scheme amounted to nil (2014: nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

35. Bank and Other Borrowings

	Notes	**2015** **RMB'000**	2014 RMB'000
Bank loans – secured	(i)	**52,000**	2,429,767
Bank loans – unsecured	(ii)	**538,762**	948,233
Other loans – unsecured	(iii)	**1,102,223**	2,415,509
Bank loans – unguaranteed		**–**	400,000
		1,692,985	6,193,509

	2015 **RMB'000**	2014 RMB'000
Carrying amount repayable:		
On demand or within one year	**1,466,365**	4,096,603
More than one year, but not exceeding two years	**200,000**	871,695
More than two years, but not more than five years	**26,620**	1,225,211
	1,692,985	6,193,509
Less: Amounts shown under current liabilities	**(1,466,365)**	(4,096,603)
Amounts shown under non-current liabilities	**226,620**	2,096,906

35. Bank and Other Borrowings *(Continued)*

Notes:

(i) The Group's secured bank loans represented specific loans of nil (2014: RMB2,100,000,000) for the purpose of acquiring plant and equipment specifically relating to the production of solar photovoltaic glass from independent third party financial institutions. The remaining balances are used for general working capital of the Group.

As at 31 December 2015, the Group's secured bank borrowings of approximately RMB52,000,000 (2014: RMB2,224,554,000) are secured by certain leasehold land and land use rights (Note 21) and buildings and machineries of the Group (Note 19) and in which nil (2014: RMB1,500,000,000) are guaranteed by the parent company.

(ii) The Group's unsecured bank loans included specific loans of approximately RMB97,142,000 (2014: RMB315,680,000) for the purpose of acquiring plant and equipment specifically relating to the production of solar photovoltaic glass. The remaining balances are used for general working capital of the Group. The unsecured bank loans are guaranteed by parent company.

(iii) The Group's unsecured other loans represented loans amount of RMB832,071,000 (2014: RMB1,623,807,000) from parent company. The remaining balances were for the purpose of general working capital from an independent third party, which were guaranteed by parent company.

As at 31 December 2015 and 2014, all the Company's borrowings are denominated in RMB.

As at 31 December 2015 and 2014, all short term and long term bank and other borrowings are based on fixed and floating interest rates. The ranges of effective interest rates on the borrowings are as follows:

	2015	2014
Effective interest rates:		
Short term bank borrowings at fixed rate	**4.75%–6.72%**	2.35%–6.15%
Short term bank borrowings at floating rate	**5.00%–6.72%**	6.10%–6.69%
Long term bank borrowings at fixed rate	**6.13%–7.45%**	6.11%–7.41%
Long term bank borrowings at floating rate	**3.17%–6.73%**	3.15%–6.70%
Long term other borrowings at floating rate	**6.27%**	5.61%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

36. Termination Benefits

Termination benefits represent early retirement allowance payable to the employees of the Group.

The maturity profile of the termination benefits is as follows:

	The Group	
	2015	2014
	RMB'000	*RMB'000*
At 1 January	**69,788**	230,256
Charged to consolidated statement of profit or loss and other comprehensive income	**86,254**	53,650
Interest *(Note 11)*	**2,315**	4,216
Payments made during the year	**(74,868)**	(159,366)
At 31 December	**83,489**	128,756
Less: Amounts shown under current liabilities	**(46,292)**	(56,187)
Amounts shown under non-current liabilities	**37,197**	72,569

The amount represented early retirement allowance payable to the employees of the Group. Compensation for early retirement is recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms.

37. Share Capital

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

Note: 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

38. Other Reserves

	Capital reserve RMB'000 (Note (i))	Statutory surplus reserve RMB'000 (Note (ii))	Merger reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Total RMB'000
At 1 January 2014	1,363,689	23,530	(42,414)	(5,291)	–	1,339,514
Exchange difference arising on translation	–	–	–	185	–	185
Share of exchange reserve of an associate *(Note 24)*	–	–	–	(239)	–	(239)
Total comprehensive expense for the year	–	–	–	(54)	–	(54)
Partial disposal of a subsidiary *(Note 26)*	(156,193)	–	–	–	–	(156,193)
Release on deregistration of subsidiaries	64,018	–	–	–	–	64,018
Release on disposal of an associate	–	–	–	9,086	–	9,086
Deemed capital contribution arising from the disposal of subsidiaries to its parent company *(Note 26)*	311,770	–	–	–	–	311,770
Acquisition of a subsidiary	(2,556)	–	–	–	–	(2,556)
At 31 December 2014 and 1 January 2015	**1,580,728**	**23,530**	**(42,414)**	**3,741**	**–**	**1,565,585**
Exchange difference arising on translation	**–**	**–**	**–**	**172**	**–**	**172**
Available-for-sale financial assets:						
– Changes in fair value	**–**	**–**	**–**	**–**	**(276,831)**	**(276,831)**
– Reclassified to profit or loss due to disposal	**–**	**–**	**–**	**–**	**10,157**	**10,157**
– Reclassified to profit or loss due to impairment losses	**–**	**–**	**–**	**–**	**266,674**	**266,674**
Total comprehensive expense for the year	**–**	**–**	**–**	**172**	**–**	**172**
Disposal of a subsidiary	**(671,874)**	**–**	**42,414**	**–**	**–**	**(629,460)**
At 31 December 2015	**908,854**	**23,530**	**–**	**3,913**	**–**	**936,297**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

38. Other Reserves *(Continued)*

Notes:

(i) Capital reserve

Upon incorporation of the Company on 10 September 2004, the historical net value of the assets, liabilities and interests transferred to the Company were converted into the Company's capital with all the existing reserves eliminated and the resulting difference dealt with in the capital reserve. Accordingly, a capital reserve, being the difference between the amounts of share capital issued and historical net value of the assets, liabilities and interests transferred to the Company, was presented in the reserves of the Group. Separate class of reserves, including accumulated profits, of the Group prior to the incorporation of the Company were not separately disclosed as all these reserves have been capitalised and incorporated in the capital reserve of the Group.

For the Group's capital reserves, it also comprises of reserves from transactions with the non-controlling interests and deemed contributions from owners of the Company.

(ii) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

39. Deferred Income

The deferred income represents government grants and is amortised to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the relevant assets or when the assets are disposed of or written off. Movements of deferred income during the year are as follows:

	Government grants related to acquisition of property, plant and equipment *RMB'000*	**Government grants related to research and development expenditure** *RMB'000*	**Government grants related to acquisition of land use rights** *RMB'000*	**Government grants related to housing subsidies, training, education and other miscellaneous projects** *RMB'000*	**Government compensation for relocation of factories** *RMB'000*	**Total** *RMB'000*
At 1 January 2014	145,581	375,215	22,304	10,785	17,977	571,862
Additions	–	25,394	–	–	–	25,394
Released upon disposal of a subsidiary	(11,398)	(144,904)	(22,304)	–	–	(178,606)
Amortised during the year *(Note 10)*	(4,843)	(11,849)	–	(5,169)	–	(21,861)
At 31 December 2014 and 1 January 2015	**129,340**	**243,856**	**–**	**5,616**	**17,977**	**396,789**
Additions	**–**	**311**	**–**	**600**	**–**	**911**
Released upon disposal of a subsidiary	**(96,271)**	**(185,406)**	**–**	**–**	**–**	**(281,677)**
Amortised during the year *(Note 10)*	**(1,250)**	**(9,463)**	**–**	**(1,957)**	**(1,107)**	**(13,777)**
At 31 December 2015	**31,819**	**49,298**	**–**	**4,259**	**16,870**	**102,246**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

40. Deferred Tax Liabilities

Deferred taxation is calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2014: 25%) except for certain subsidiaries mentioned in Note 12 which are subject to tax concession to pay income tax at 15% (2014: 15%).

The following are the deferred tax liabilities recognised and movements thereof during the current and prior year:

	Accelerated tax depreciation *RMB'000*
At 1 January 2014	(7,711)
Credit to the consolidated statement of profit or loss and other comprehensive income	479
At 31 December 2014, 1 January 2015 and 31 December 2015	(7,232)

The deferred income tax liabilities are to be recovered after more than 12 months.

Deferred income tax assets are recognised for tax loss carry-forwards and other deductible temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unused tax losses of approximately RMB1,620,294,000 (2014: RMB2,629,413,000) where, in the opinion of the directors of the Company, it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses. The Group's unrecognised deferred tax assets in respect of tax losses will expire progressively until 2020 (2014: 2019).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB4,338,781,000 (2014: RMB4,308,065,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

41. Acquisition of a Subsidiary

On 4 June 2015, the Group acquired 51% of the issued share capital of 漢中佳潤澤礦業開發有限責任公司 (“佳潤澤”) for consideration of approximately RMB11,523,000. This acquisition has been accounted for using the acquisition method. 佳潤澤 is engaged in mining of quartz sand. 佳潤澤was acquired so as to continue the expansion of the Group’s photovoltaic glass operations.

Consideration transferred

	RMB’000
Cash	1,000
Other payable	10,523
	11,523

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB’000
Property, plant and equipment	784
Intangible assets	27,757
Trade and other receivables	575
Bank balances and cash	258
Trade and other payable	(6,780)
	22,594

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB575,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB580,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB5,000.

The non-controlling interests (49%) in 佳潤澤 recognised at the acquisition date was measured by reference to its proportionate share in 佳潤澤’s net assets and amounted to approximately RMB11,071,000.

41. Acquisition of a Subsidiary *(Continued)*

Net cash outflow on acquisition of 佳潤澤

	RMB'000
Cash consideration paid	1,000
Less: cash and cash equivalent balances acquired	(258)
	742

Included in the loss for the year is approximately RMB1,614,000 attributable to the additional business generated by 佳潤澤. No revenue for the year was generated from 佳潤澤.

42. Commitments

Capital expenditure

	2015 *RMB'000*	2014 *RMB'000*
Contracted for but not provided in the consolidated financial statements:		
– Construction of photovoltaic glass production line	**4,138**	1,003,936

Operating leases

As lessee

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

	Land use rights		**Leasehold buildings**	
	2015 *RMB'000*	2014 *RMB'000*	**2015** *RMB'000*	2014 *RMB'000*
Within one year	**2,103**	6,275	**6,301**	772
In the second to fifth years inclusive	**–**	–	**–**	965
	2,103	6,275	**6,301**	1,737

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

42. Commitments *(Continued)*

Operating leases *(Continued)*

As lessee (Continued)

Operating lease payments represent rentals payable by the Group for certain of its 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.

As lessor

Property held for earning rental income is expected to generate rental yields of 25.08% (2014: 30.66%) on an ongoing basis. All the properties held have committed tenants for the next 1 year to 5 years (2014: next 1 year to 5 years).

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

	2015	2014
	RMB'000	*RMB'000*
Within one year	**8,134**	9,568
In the second to fifth years inclusive	**11,123**	11,801
	19,257	21,369

43. 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 joint ventures (hereinafter collectively referred to the "IRICO Group"), corporations in which the Company is able to control, jointly control or exercise significant influence, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

43. Related-Party Transactions *(Continued)*

In addition to the related party information disclosed elsewhere in the consolidated financial statements, 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 each of the year ended 31 December 2015 and 2014 and balances as at 31 December 2015 and 31 December 2014 with related party transactions.

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

A. Sales of goods

	2015 ***RMB'000***	2014 *RMB'000*
Sales of goods to the IRICO Group *(Note)*		
– IRICO Group Labor Service Company	**–**	51
– Shaanxi IRICO Photoelectric Materials Co., Ltd	**–**	15
– Parent company	**–**	336
– IRICO (Hefei) LCD Glass Co., Ltd.	**3,496**	–
– Xianyang IRICO Pyroelectric Co., Ltd.	**–**	30
– IRICO Color Picture Tube General Factory	**5**	66
– Xianyang Rainbow Photovoltaic Technology Co., Ltd.	**5,934**	2,781
– Xianyang Cailian Packaging Materials Co., Ltd.	**10,290**	64
– Xianyang Zhongdian IRICO Group Holdings Ltd.	**89**	–
– Shanghai Epilight Technology Co., Ltd	**954**	534
	20,768	3,877
Other state-owned enterprises	**57,648**	121,432

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

43. Related-Party Transactions *(Continued)*

B. Purchases of goods and provision of services

	2015	2014
	RMB'000	*RMB'000*
Purchases of goods from the IRICO Group *(Note (i))*		
– IRICO Group Labor Service Company	**290**	394
– Xianyang Cailian Packaging Materials Co., Ltd.	**33,134**	24,641
– Hongyang (Shenzhen) Industrial and Trading Co.	**–**	190
– Xianyang Rainbow Photovoltaic Technology Co., Ltd.	**2**	1,141
– Xianyang Zhongdian IRICO Group Holdings Ltd.	**5,058**	1
– Shaanxi IRICO Photoelectric Materials Co., Ltd.	**–**	17
– IRICO Color Picture Tube General Factory	**71**	14
	38,555	26,398
Other state-owned enterprises	**136,277**	136,519
Provision of services from the IRICO Group *(Note (i))*		
– Rental expenses to Xianyang Zhongdian IRICO Group Holdings Ltd. *(Note (ii))*	**17,226**	16,925
– Rental expense to Xianyang Cailian Packaging Materials Co., Ltd.	**400**	400
– Trademark license fee to parent company *(Note (iii))*	**843**	671
– Network fee to parent company	**94**	193
– IRICO Hospital	**266**	266
– Utility and other charges to IRICO Color Picture Tube General Factory	**257,805**	265,338
– Utility charges to the utilities plant of the Xianyang IRICO Pyroelectric Co., Ltd.	**–**	317
– Utility and other charges to Xianyang Rainbow Photovoltaic Technology Co. Ltd.	**696**	429
– Utility and other charges to Xianyang Cailian Packaging Materials Co., Ltd.	**989**	1,477
– Utility and other charges to IRICO (Hefei) LCD Glass Co., Ltd.	**28,755**	–
– Environmental protection charges to Xianyang Zhongdian IRICO Group Holdings Ltd.	**18**	–
– Miscellaneous charges to IRICO Color Picture Tube General Factory	**534**	990
	307,626	287,006

43. Related-Party Transactions *(Continued)*

B. Purchases of goods and provision of services *(Continued)*

Notes:

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

(ii) From 1 January 2014, the Group entered into another Premises Leasing Agreement with Xianyang Zhongdian IRICO Group Holdings Ltd which required to pay RMB14.5 per square metre per annum for the use of land use rights and RMB9.5 per square metre per month for the use of buildings in Xianyang respectively. Accordingly, rental charges for the year ended 31 December 2015 and 2014 amounted to approximately RMB17,226,000 and RMB16,925,000 respectively.

(iii) 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 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, and it was revised to end on 31 December 2006. 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 2014. On 14 November 2012, the Group entered renewal agreement with IRICO Group for a term of three years up to 31 December 2015.

C. Balance with parent company

(i) Amount due to parent company (included in other payables)

	2015 ***RMB'000***	2014 *RMB'000*
Parent company	**131,287**	30,832

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

43. Related-Party Transactions *(Continued)*

C. Balance with parent company *(Continued)*

(ii) Loans from parent company (included in other borrowings)

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**1,623,807**	1,156,000
Disposal through disposal of subsidiaries	**(775,000)**	–
Loan borrowed	**460,283**	984,645
Repayments	**(503,286)**	(548,743)
Interest expense *(Note 11)*	**26,267**	31,905
At 31 December	**832,071**	1,623,807

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

(iii) Director's emolument born by parent company

During the year ended 31 December 2015 and 2014, all the executive and non-executive directors emoluments were borne by IRICO Group Corporation.

(iv) Guarantees granted or assets pledged by parent company

As at 31 December 2015 and 2014, parent company granted a guarantee and pledged certain of its land and buildings for certain bank borrowings granted to the Company and the Group (Note 35).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

43. Related-Party Transactions *(Continued)*

D. Key management compensation

	2015	2014
	RMB'000	*RMB'000*
Short-term benefits	**2,390**	2,187
Post-employment benefits	**388**	64
Cash-settled share-based payments expense	**–**	123
	2,778	2,374

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

E. Year-end balances arising from sales/purchases of goods/provision of services

	2015	2014
	RMB'000	*RMB'000*
Trade receivables from related parties:		
The IRICO Group		
– Shanghai Epilight Technology Co., Ltd.	**–**	393
– Xianyang Rainbow Photovoltaic Technology Co., Ltd.	**6,942**	–
– Parent company	**433**	–
– Xianyang Caiqin Electronic Devices Co., Ltd.	**–**	52
– IRICO Group Labor Service Company	**6**	–
– Hefei Epilight Technology Co., Ltd.	**1,354**	–
	8,735	445
Other state-owned enterprises	**2,020**	30,461
	10,755	30,906

The balances with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% of the Group's trade and bills receivables as at 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

43. Related-Party Transactions *(Continued)*

E. Year-end balances arising from sales/purchases of goods/provision of services *(Continued)*

	2015	2014
	RMB'000	*RMB'000*
Trade payables to related parties		
The IRICO Group		
– Xianyang Cailian Packaging Materials Co., Ltd.	**11,960**	13,609
– Parent company	**408**	467
– IRICO Color Picture Tube General Factory	**117,408**	24,693
– Xianyang Caiqin Electronice Devices Co., Ltd.	**4,740**	4,740
– 合肥鑫虹光電科技有限公司	**–**	195
– IRICO (Hefei) LCD glass Co., Ltd.	**15,983**	–
– Xianyang IRICO Group CLP Holdings Ltd.	**3,968**	–
– 中國電子系統工程第三建設有限公司	**1,282**	2,862
	155,749	46,566
Other state-owned enterprises	**33,309**	12,373
	189,058	58,939
Representing:		
Trade payables *(Note 33)*	**189,058**	53,939
Trade bills payables *(Note 33)*	**–**	5,000
	189,058	58,939

The balances with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% of the Group's trade and bills payables as at 31 December 2015 and 2014.

The trade balances in respect of sales and purchases are under the Group's normal trading terms.

43. Related-Party Transactions *(Continued)*

F. Disposal of subsidiaries

	2015	2014
	RMB'000	*RMB'000*
Consideration received from disposal of subsidiaries, A Share Company to Xianyang Zhongdian IRICO Group Holdings Ltd.	**897,129**	–

During the year ended 31 December 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.

G. Disposal of plants and equipments

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

44. Information about the statement of Financial Position of the Company

	2015	2014
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**262,302**	270,304
Intangible assets	**–**	158
Investments in subsidiaries	**126,030**	782,696
Interests in associates	**29,154**	68,990
Available-for-sale financial assets	**483,378**	–
	900,864	1,122,148
Current assets		
Inventories	**85,355**	100,591
Trade and bills receivables	**456,339**	288,054
Other receivables, deposits and prepayments	**914,190**	393,539
Tax recoverable	**3,140**	3,330
Restricted bank balances	**16,000**	–
Bank balances and cash	**141,547**	69,282
	1,616,571	854,796
Non-current assets classified as held for sale	**–**	3,663
	1,616,571	858,459
Current liabilities		
Trade and bills payables	**473,049**	236,152
Other payables and accruals	**505,860**	475,264
Bank and other borrowings – due within one year	**1,272,223**	1,356,145
Termination benefits	**33,303**	36,562
	2,284,435	2,104,123
Net current liabilities	**(667,864)**	(1,245,664)
Total assets less current liabilities	**233,000**	(123,516)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

44. Information about the Statement of Financial Position of the Company *(Continued)*

	2015	2014
	RMB'000	*RMB'000*
Capital and reserves		
Share capital *(see note 37)*	**2,232,349**	2,232,349
Other reserves *(note (i))*	**797,511**	797,511
Accumulated losses	**(3,048,257)**	(3,405,153)
Total equity	**(18,397)**	(375,293)
Non-current liabilities		
Bank and other borrowings – due after one year	**200,000**	200,000
Deferred income	**11,535**	11,748
Termination benefits	**35,260**	35,427
Deferred tax liabilities	**4,602**	4,602
	251,397	251,777
	233,000	(123,516)

Note (i): Movements in other reserves

	Capital reserve	Statutory surplus reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014 and 31 December 2014, 1 January 2015 and 31 December 2015	773,981	23,530	797,511

45. Major Non-cash Transactions

The Group transferred the shares of A Shares Company amounting to approximately RMB14,849,000 to settle the compensation for breach of contract.

Five-Year Financial Summary

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Turnover	**1,561,609**	2,218,276	2,279,758	2,645,213	3,270,348
Profit/(loss) before tax	**525,949**	(1,691,049)	(214,756)	(3,381,016)	(655,445)
Income tax (expenses) credit	**(297)**	(1,293)	119	(24,155)	(27,523)
Profit/(loss) before non-controlling interests	**525,652**	(1,692,342)	(214,637)	(3,405,171)	(682,968)
(Loss)/profit attributable to non-controlling interests	**(118,344)**	(878,062)	11,715	(1,743,169)	(429,930)
Profit/(loss) attributable to owners of the Company	**643,996**	(814,280)	(226,352)	(1,662,002)	(253,038)
Assets, liabilities and non-controlling interests	**6,272,849**	18,151,357	21,978,596	24,385,590	24,780,969
Total assets	**3,157,506**	8,774,676	10,979,067	12,296,134	13,319,388
Total liabilities	**3,029,253**	8,138,100	9,625,942	10,654,119	8,267,210
Non-controlling interests	**86,090**	1,238,581	1,373,587	1,435,337	3,194,371

Corporate Profile

Executive Directors

Si Yuncong Chairman
Zou Changfu

Non-executive Directors

Huang Mingyan
Jiang Ahe

Independent Non-executive Directors

Feng Bing
Wang Jialu
Wang Zhicheng

Audit Committee

Wang Zhicheng
Huang Mingyan
Jiang Ahe
Feng Bing
Wang Jialu

Chief Financial Officer

Gu Qiang

Company Secretary

Chu Xiaohang

Authorized Representatives

Zou Changfu
Chu Xiaohang

Corporate Profile (Continued)

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