



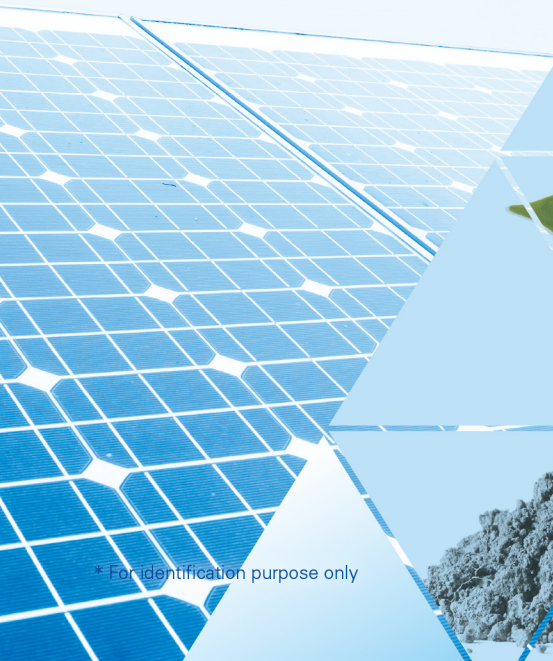
彩虹集團新能源股份有限公司
IRICO GROUP NEW ENERGY COMPANY LIMITED*

IRICO

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

2016

INTERIM
REPORT



* For identification purpose only

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I. RESULTS HIGHLIGHTS

Item (RMB'000)	First half of 2016	First half of 2015	Increase/ (decrease)	Percentage change (%)
Turnover	826,707	843,080	(16,373)	(1.94)
(Gross loss)/gross profit	96,971	23,459	73,512	313.36
Operating (loss)/profit	26,837	(205,297)	232,134	113.07
Profit/(loss) before income tax	32,359	(262,850)	295,209	112.31
Profit/(loss) for the period from discontinued operation	0	1,105,862	(1,105,862)	(100.00)
Profit/(loss) for the period	32,481	842,900	(810,419)	(96.15)
Attributable to:				
Equity holders of the Company	32,751	958,740	(925,989)	(96.58)
Minority shareholder	(270)	(115,840)	115,570	(99.77)
Total comprehensive income (loss) for the period	66,166	843,067	(776,901)	(92.15)
Attributable to:				
Equity holders of the Company	66,436	958,907	(892,471)	(93.07)
Minority shareholder	(270)	(115,840)	115,570	(99.77)
Gearing ratio	95%	96%	-1%	N/A

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) CONDITIONS OF THE INDUSTRY

1. Solar photovoltaic

According to the statistics of the National Energy Administration, during the reporting period, new domestic installed capacity amounted to approximately 15GW, representing an increase of approximately 100% as compared to the same period of last year. It is expected that the annual domestic installed capacity will be over 20GW, representing an increase of more than 33% as compared to the same period of last year.

According to the forecast of IHS, the installed capacity of solar photovoltaic in the world will increase by 17% to 67GW, 65% of which attributable to China, the U.S.A. and Japan in total, which will become the important markets of solar photovoltaic installation in the world. The global solar photovoltaic market will maintain a stable growth over the next few years.

For the photovoltaic glass, the change in sales price was minimal due to strong market supply and demand. Over the next few years, the prospect of the photovoltaic glass will still be relatively good as the photovoltaic market grows steadily.

2. Lithium battery anode materials

During the reporting period, for lithium battery anode materials, the market demand for materials relating to lithium battery presented a sharp increase with the development of new energy automobile and energy storage battery. At the same time, the market for used power battery recycle is promising.

(II) BUSINESS REVIEW

1. Operation highlights

During the reporting period, IRICO Group New Energy Company Limited* (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) achieved a rapid growth in the solar photovoltaic glass business, with an increase of 106% in sales volume of solar photovoltaic glass as compared to the same period of last year. In particular, Hefei photovoltaic glass business commenced mass production and recorded profit during the reporting period; the photovoltaic power station project operated smoothly and the scale-oriented construction was commenced; business of lithium battery anode materials grew rapidly and the 3,000-ton expansion and renovation project was under construction. Meanwhile, the Group is proactively promoting the business of used power battery recycle to develop the business relating to green and cyclic economy.

During the reporting period, the Group recorded sales of RMB826,707,000, representing a decrease of 1.94% as compared to the same period of last year, mainly due to a decrease of 49% in trading business as compared to the same period of last year in the context of shrinking share of trading business as opposed to growing new energy business. The Group recorded gross profit of RMB96,971,000 for the first half of 2016, representing an increase of RMB73,512,000 as compared to the same period of last year. The profit from continuing operations for the first half of 2016 amounted to RMB32,481,000, representing an increase of RMB295,443,000 as compared to the same period of last year. The main reasons for such significant increase in the profit from continuing operations are: (i) Hefei Photovoltaic Glass Project was put into operation and gradually yielded benefits of economy of scale; (ii) market demands for photovoltaic glass were steadily on the rise; (iii) the Company’s bargaining power in purchase of raw materials and utilities had increased; (iv) quality and efficiency were improved by virtue of all-round operations and full-spectrum benchmarking; (v) the Company stripped off the non-profitable and non-principal-business assets which became a burden on operations through assets restructuring. The profit attributable to owners of the Company was RMB32,751,000, representing a decrease of 96.58% as compared to the same period of last year (profit attributable to owners of the Company for the first half of 2015: RMB958,740,000), mainly attributable to the investment income from disposal of 13.5% equity interest in IRICO Display Devices Co., Ltd. in the first half of 2015.

2. Business review

(1) Solar Photovoltaic Business

- *Solar photovoltaic glass*

During the reporting period, the Group's solar photovoltaic glass business developed rapidly and the production and sales increased significantly as compared with the corresponding period of last year. In particular, Hefei Photovoltaic Glass Project commenced mass production and achieved profit; Xianyang Photovoltaic Glass Project also achieved steady growth. In terms of business scale, the Group was among the top 3 players in the global solar photovoltaic glass market.

Moreover, Yan'an Photovoltaic Glass Project (800–850T/D), designed to be the world's largest pure-oxygen furnace for photovoltaic glass production, has been officially launched and the construction of the project is currently being advanced in an active manner. Meanwhile, the Group also plans to invest in construction of Hefei Photovoltaic Glass Project Phase II (800–850T/D).

- *Solar photovoltaic power station*

The Hefei 12MW Distributed Roof-Top Photovoltaic Power Station of the Group operated effectively. The Group has commenced a series of new high-quality solar photovoltaic power station projects in Nanjing, Wuhan, Liquan, Yan'an, Yulin and other places, and promoted the scale-oriented construction at a fast pace.

- *Quartz sand processing*

During the reporting period, the Group constructed a 200,000-ton quartz sand mine processing plant by virtue of its own quartz sand mine resources, initially enabling production and supply for its own purpose and effectively reducing the production cost.

(2) New Materials Business

During the reporting period, the Group's lithium battery anode materials business developed rapidly, for which the project of 3,000-ton expansion and renovation was also underway. The Group has also approached external resources to proactively expand into the upstream businesses including the recycle of used power batteries and lithium battery anode materials. The Group was preparing for the construction of a base for recycling used cobalt, lithium and nickel power batteries and a research and development center for power-based anode materials.

(3) Trading and Other Businesses

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

(III) FINANCIAL REVIEW

1. Overall performance

The gross profit margin of the Group for the first half of 2016 was 11.73% and the gross profit margin for the first half of 2015 was 2.78%. The increase in the gross profit margin was mainly attributable to the significant decrease in the production costs of Xianyang Photovoltaic Glass Plant as a result of the improvement in quality and efficiency through internal benchmarking management, increase in the income from the mass production of Hefei Photovoltaic Glass Project and the stability of the market price of photovoltaic glass. The profit attributable to owners of the Company for the first half of 2016 decreased by 96.58% to RMB32,751,000, as compared with the profit attributable to owners of the Company of RMB958,740,000 for the first half of 2015, which was mainly attributable to investment gain from disposal of 13.5% equity interest in IRICO Display Devices Co., Ltd. ("**A Share Company**") by the Group in the first half of 2015.

2. Business results

1) Unaudited profit and loss

	For the six months ended 30 June			
	2016	2015 (restated)	Increase (decrease)	Percentage change (%)
	<i>(RMB'000)</i>			
Turnover	826,707	843,080	(16,373)	(1.94)
Solar photovoltaic business	465,334	218,696	246,638	112.78
New materials business	102,244	110,604	(8,360)	(7.56)
Trading business	258,906	510,042	(251,136)	(49.24)
Other businesses	223	3,738	(3,515)	(94.03)
Cost of sales	(729,736)	(819,621)	89,885	(10.97)
Gross (loss) profit	96,971	23,459	73,512	313.36
Operating expenses				
Administrative expenses	(59,958)	(66,536)	6,578	(9.89)
a) General administrative expenses	(58,535)	(65,225)	6,690	(10.26)
b) Research and development expenses	(1,423)	(1,311)	(112)	8.54
Selling and distribution expenses	(41,501)	(23,016)	(18,485)	80.31
Other operating expenses	(7,166)	(57,044)	49,878	(87.44)
Operating profit (loss)	26,837	(205,297)	232,134	113.07
Financing costs	(13,475)	(56,912)	43,437	(76.32)
Profit/(loss) for the period from discontinued operation	0	1,105,862	(1,105,862)	(100.00)
Profit/(loss) for the period	32,481	842,900	(810,419)	(96.15)
Attributable to:				
Equity holders of the Company	32,751	958,740	(925,989)	(96.58)
Minority shareholder	(270)	(115,840)	115,570	(99.77)
Total comprehensive income (expense) for the period	66,166	843,067	(776,901)	(92.15)

2) Turnover

Turnover by product

Name	For the six months ended 30 June			
	2016	2015 (restated)	Increase (decrease)	Percentage change
<i>(RMB'000)</i>				<i>(%)</i>
Turnover	826,707	843,080	(16,373)	(1.94)
Solar photovoltaic business	465,334	218,696	246,638	112.78
New materials business	102,244	110,604	(8,360)	(7.56)
Trading business	258,906	510,042	(251,136)	(49.24)
Others	223	3,738	(3,515)	(94.03)

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

1) Turnover and gross profit margin

In the first half of 2016, the Group recorded a turnover of RMB826,707,000, representing a decrease of RMB16,373,000, or 1.94% as compared with the corresponding period in 2015. Of which, turnover from solar photovoltaic business amounted to RMB465,334,000, representing an increase of RMB246,638,000 or 113% as compared with the corresponding period in 2015; turnover from new materials amounted to RMB102,244,000, representing a decrease of RMB8,360,000 or 8% as compared with the corresponding period in 2015; turnover from trading business amounted to RMB258,906,000, representing a decrease of RMB251,136,000 or 49% as compared with the corresponding period in 2015; and turnover of the others amounted to RMB223,000, representing a decrease of RMB3,515,000 or 94% as compared with the corresponding period in 2015. The Group's overall gross profit margin increased to 11.73% in the first half of 2016 from 2.78% in the first half of 2015, which was mainly attributable to the significant decrease in the production costs of Xianyang Photovoltaic Glass Plant as a result of the improvement in quality and efficiency through internal benchmarking management, increase in the income from the mass production of Hefei Photovoltaic Glass Project and the stability of the market price of photovoltaic glass.

2) Administrative expenses

The Group's administrative expenses for the first half of 2016 decreased by RMB6,578,000, or approximately 9.89%, to RMB59,958,000 from RMB66,536,000 for the corresponding period in 2015. The decrease in administrative expenses was mainly attributable to the enhancement in expense management and control of the Company.

3) Finance costs

The Group's finance costs for the first half of 2016 was RMB13,475,000 (net of interest expense capitalized amounting to RMB16,323,000), representing a decrease of RMB43,437,000, or approximately 76.32% as compared with RMB56,912,000 for the corresponding period in 2015. The decrease in finance costs was mainly attributable to the impact of the decrease in principal amount of borrowings and interest rate reduction of partial internal borrowings and capitalization of interest from Hefei.

4. Current assets and financial resources

As at 30 June 2016, the Group's cash and bank balances amounted to RMB283,721,000, representing an increase of RMB31,125,000, or 12% from RMB252,596,000 as at 31 December 2015. For the six months ended 30 June 2016, the Group's capital expenditures amounted to RMB85,847,000 in total (30 June 2015: RMB150,497,000). Net cash from operating activities amounted to RMB4,587,000 (30 June 2015: RMB(235,481,000)), while net cash from financing activities and net cash from investing activities were RMB105,413,000 (30 June 2015: RMB(478,286,000)) and RMB(78,875,000) (30 June 2015: RMB573,177,000) respectively.

As at 30 June 2016, the Group's total borrowings amounted to RMB1,755,141,000, of which borrowings due within one year amounted to RMB1,518,141,000 and borrowings with maturity beyond one year amounted to RMB237,000,000. As at 31 December 2015, the Group's total borrowings amounted to RMB1,692,985,000, of which borrowings due within one year amounted to RMB1,466,365,000 and borrowings with maturity beyond one year amounted to RMB226,620,000. As at 30 June 2016, the Group's bank loans amounting to approximately RMB45,000,000 (31 December 2015: RMB52,000,000) were secured by certain land and land use rights, buildings, equipment and trade receivables of the Group.

For the six months ended 30 June 2016, the turnover days for accounts receivable of the Group were 155 days, representing an increase of 13 days as compared with 142 days for the six months ended 30 June 2015. The increase in the turnover days for accounts receivable was mainly attributable to the mass production impact of Hefei Photovoltaic Glass Project. For the six months ended 30 June 2016, the inventory turnover days of the Group decreased by 12 days to 27 days from 39 days for the six months ended 30 June 2015, which was mainly attributable to the enhancement of management and control of inventory by the Company and relatively large decrease in inventory of Xianyang Photovoltaic Glass Plant as compared to the beginning of the year.

5. Capital structure

As at 30 June 2016, 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 an appropriate ratio of share capital to liabilities, so as to ensure the maintenance of an effective capital structure at any time. As at 30 June 2016, the total liabilities including bank borrowings amounted to RMB1,755,141,000 (31 December 2015: RMB1,692,985,000). Its cash and bank balances amounted to RMB283,721,000 (31 December 2015: RMB252,596,000) and its gearing ratio was 95% (31 December 2015: 96%).

6. Interim dividend

As there was no accumulated operating surplus in the first half of 2016, the board of directors (the "**Board**") of the Company resolved not to distribute any interim dividend for the six months ended 30 June 2016.

7. Foreign exchange risk

The Group's revenue and most of its expenditures were calculated in Renminbi and US dollars. For the six months ended 30 June 2016, the operating costs of the Group decreased by RMB639,000 as a result of exchange rate fluctuations (as at 30 June 2015: increased by RMB57,000). The exchange rate fluctuations did not have any material impact on the Group's working capital or liquidity.

8. Commitments

As at 30 June 2016, the capital commitments of the Group amounted to RMB182,109,000 (as at 31 December 2015: RMB4,138,000).

9. Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

10. Pledge of assets

As at 30 June 2016, the Group had bank loans of approximately RMB45,000,000 which were secured by certain leasehold land and land use rights, buildings and equipment of the Group.

As at 31 December 2015, the Group had the bank loans of approximately RMB52,000,000 which were secured by certain leasehold land and land use rights, buildings and equipment of the Group.

III. OTHER INFORMATION

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

As of 30 June 2016, 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 (the “**Directors**”), supervisors, or chief executive of the Company 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (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).

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

So far as the Directors are aware, each of the following persons, not being a Director, supervisor or 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 30 June 2016 and as entered in the register of interests to be kept pursuant to section 336 of the SFO:

China Electronics Corporation Limited, 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 99.66% of the H Share capital of the Company).

Si Yuncong, Zou Changfu, Huang Mingyan and Chen Changqing 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. Chen Changqing concurrently acts as the deputy chief accountant and the manager of the assets finance department 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, the executive deputy general manager and the chief accountant of IRICO Group Corporation.

Notes:

As at 30 June 2016, based on the information available to the Directors and as far as the Directors are aware, HKSCC (Nominees) Limited held 628,844,789 H Shares, among which:

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

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

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

(III) AUDIT COMMITTEE

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

The Board adopted all contents set out in code provision C.3.3 of the Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to the auditing, risk management, internal control and financial reporting, which included the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016.

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

(IV) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

(V) CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the relevant corporate governance documents adopted by the Company and is of the opinion that such documents are in compliance with the principles and code provisions of the Code.

The Directors are not aware of any information that would reasonably indicate the non-compliance of the Company or any of the Directors with the Code at any time for the six months ended 30 June 2016. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

(VI) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF LISTED ISSUERS

For the six months ended 30 June 2016, the Company has adopted a model code for securities transactions by Directors and Supervisors which is no less strict than the required standard set out in the Model Code. Having made specific enquiry in the reporting period, the Company has confirmed that all Directors and Supervisors have complied with the requirements set out in the Model Code.

(VII) PURCHASE, SALE OR REDEMPTION OF SHARES

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

(VIII) EMPLOYEES

As at 30 June 2016, the Group had a total of 1,720* in-service employees, of which, approximately 10.8% were management and administrative personnel, 9.5% were technical personnel, 1.7% were financial and audit personnel, 1.7% were sales and marketing personnel and 76.3% were production workers.

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

* *Excluding service dispatch workers*

(IX) PUBLIC FLOAT

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

(X) SIGNIFICANT INVESTMENTS**Acquisition of a further 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited**

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

As at 30 June 2016, whether the acquisition will be proceeded with is still subject to further confirmation.

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

(XI) MATERIAL ACQUISITION AND DISPOSAL

On 9 May 2016, the Company and Xianyang Zhongdian IRICO Group Holdings Ltd.* (“**Xianyang IRICO**”) (咸陽中電彩虹集團控股有限公司) entered into an equity transfer agreement, pursuant to which the Company agreed to sell, and Xianyang IRICO agreed to acquire, 60% of the equity interest in Xianyang IRICO Electronics Accessories Co., Ltd. (咸陽彩虹電子配件有限公司) (“**IRICO Accessories**”) at a cash consideration of RMB45,945,900. As a result of such disposal, the Company ceased to have any interest in IRICO Accessories. As such, IRICO Accessories ceased to be a subsidiary of the Company and its financial results ceased to be consolidated into the accounts of the Company. As at the date of this announcement, the Company has not completed relevant procedures for equity transfer and registration of change at the Administration for Industry and Commerce. For details, please refer to the Company’s announcement dated 9 May 2016.

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

(XII) MATERIAL LITIGATIONS

As at 30 June 2016, 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 A Share Company and claims by Curtis Saunders against the Company and 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 update on the pending litigations which were disclosed by the Company previously. In the opinion of the Directors, such cases did not have any material impact on the Group’s interim financial statements for the six months ended 30 June 2016. For details of such cases, please refer to the Company’s circular to its shareholders dated 21 April 2015.

(XIII) OTHERS**Change of company name**

During the reporting period, Shaanxi Provincial Administration for Industry and Commerce has completed the registration of change in the name of the Company from “彩虹集團電子股份有限公司(IRICO Group Electronics Company Limited*)” to “彩虹集團新能源股份有限公司 (IRICO Group New Energy Company Limited*)”. The Company has received a new business license issued by Shaanxi Provincial Administration for Industry and Commerce.

Change of company name of non-Hong Kong company

On 10 March 2016, the Registrar of Companies in Hong Kong issued the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company confirming that as a non-Hong Kong company, the registered name of the Company had been changed from “彩虹集團電子股份有限公司(IRICO Group Electronics Company Limited*)” to “彩虹集團新能源股份有限公司(IRICO Group New Energy Company Limited*)”.

Change of stock short name

The stock short name of the Company for trading in the H shares on the Stock Exchange has been changed from “彩虹電子” to “彩虹新能源” in Chinese and from “IRICO” to “IRICO NEWENERGY” in English with effect from 9:00 a.m. on 23 March 2016. The stock code of the Company remains unchanged as “0438”.

The aforementioned changes do not affect any rights of the Company’s shareholders or the Company’s daily business operation and/or financial position. For details, please refer to Company’s announcements dated 4 February 2016 and 18 March 2016.

IV. CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Si Yuncong *Chairman*

Zou Changfu

NON-EXECUTIVE DIRECTORS

Huang Mingyan

Chen Changqing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Feng Bing

Wang Jialu

Wang Zhicheng

AUDIT COMMITTEE

Wang Zhicheng

Huang Mingyan

Chen Changqing

Feng Bing

Wang Jialu

CHIEF FINANCIAL OFFICER

Gu Qiang

COMPANY SECRETARY

Chu Xiaohang

AUTHORIZED REPRESENTATIVES

Zou Changfu

Chu Xiaohang

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REGISTRAR OF H SHARES IN HONG KONG

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No. 41 Connaught Road, Central
Hong Kong

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

INDEPENDENT REVIEW REPORT



SHINEWING (HK) CPA Limited

43/F., Lee Garden One

33 Hysan Avenue

Causeway Bay, Hong Kong

**To the board of directors of
IRICO Group New Energy Company Limited**

(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed interim consolidated financial statements of IRICO Group New Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 88, which comprises the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with HKAS 34.

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

INDEPENDENT REVIEW REPORT *(Continued)*

SCOPE OF REVIEW

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

CONCLUSION

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

INDEPENDENT REVIEW REPORT (*Continued*)

EMPHASIS OF MATTER

Without qualifying our review conclusion, we draw attention to the condensed interim consolidated financial statements which indicate that the Group's current liabilities exceeded its current assets by approximately RMB1,421,815,000 as at 30 June 2016. This condition as set out in Note 2 to the condensed interim consolidated financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

SHINEWING (HK) CPA LIMITED

Certified Public Accountants

Lo Wa Kei

Practising certificate number: P03427

Hong Kong

29 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	NOTES	RMB'000	RMB'000
		(Unaudited)	(Unaudited and restated)
Continuing operations			
Turnover	4	826,707	843,080
Cost of sales		(729,736)	(819,621)
Gross profit		96,971	23,459
Gain on disposal of a subsidiary	22	18,779	–
Other operating income		38,491	17,699
Selling and distribution costs		(41,501)	(23,016)
Administrative expenses		(59,958)	(66,536)
Other operating expenses		(7,166)	(57,044)
Finance costs	5	(13,475)	(56,912)
Impairment loss recognised in respect of the available-for-sale financial asset		–	(99,859)
Share of profit (loss) of associates		218	(641)
Profit (loss) before tax		32,359	(262,850)
Income tax credit (expense)	6	122	(112)
Profit (loss) for the period from continuing operations	8	32,481	(262,962)
Discontinued operations			
Profit for the period from discontinued operations	7	–	1,105,862
Profit for the period		32,481	842,900

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	NOTE	RMB'000	RMB'000
		(Unaudited)	(Unaudited and restated)
Profit (loss) for the period attributable to the owners of the Company:			
– from continuing operations		32,751	(263,030)
– from discontinued operations		–	1,221,770
		32,751	958,740
(Loss) profit for the period attributable to non-controlling interests:			
– from continuing operations		(270)	68
– from discontinued operations		–	(115,908)
		(270)	(115,840)
		32,481	842,900
Earnings (loss) earnings per share – Basic and diluted			
	10		
– from continuing operations		0.01	(0.12)
– from discontinued operations		–	0.55
– from continuing and discontinued operations		0.01	0.43

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited and restated)
Profit for the period	<u>32,481</u>	<u>842,900</u>
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of a foreign subsidiary	–	167
Reversal of impairment loss in respect of the available-for-sale financial asset	<u>33,685</u>	<u>–</u>
Other comprehensive income for the period	<u>33,685</u>	<u>167</u>
Total comprehensive income for the period	<u>66,166</u>	<u>843,067</u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	66,436	958,907
Non-controlling interests	<u>(270)</u>	<u>(115,840)</u>
	<u>66,166</u>	<u>843,067</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		30 June 2016	31 December 2015
	<i>NOTES</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	11	1,251,466	1,211,724
Investment properties		9,691	7,164
Leasehold land and land use rights		110,669	114,237
Intangible assets		23,593	24,981
Interests in associates		31,939	31,721
Available-for-sale financial assets	12	517,063	483,378
		1,944,421	1,873,205
Current assets			
Inventories		110,225	130,618
Trade and bills receivables	13	709,655	618,088
Other receivables, deposits and prepayments	14	245,366	184,754
Tax recoverable		3,140	3,140
Restricted bank balances		88,902	95,105
Bank balances and cash		283,721	252,596
		1,441,009	1,284,301

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 JUNE 2016

		30 June 2016	31 December 2015
	<i>NOTES</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and bills payables	15	747,963	642,944
Other payables and accruals		550,234	499,507
Tax payables		178	850
Bank and other borrowings – due within one year	16	1,518,141	1,466,365
Termination benefits		46,308	46,292
		2,862,824	2,655,958
Net current liabilities		(1,421,815)	(1,371,657)
Total assets less current liabilities		522,606	501,548

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 JUNE 2016

		30 June 2016	31 December 2015
	<i>NOTES</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	17	2,232,349	2,232,349
Other reserves		969,982	936,297
Accumulated losses		(3,093,732)	(3,126,483)
Equity attributable to owners of the Company		108,599	42,163
Non-controlling interests		67,709	86,090
Total equity		176,308	128,253
Non-current liabilities			
Bank and other borrowings – due after one year	16	237,000	226,620
Deferred income		97,654	102,246
Termination benefits		4,534	37,197
Deferred tax liabilities		7,110	7,232
		346,298	373,295
		522,606	501,548

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (Audited)	2,232,349	936,297	(3,126,483)	42,163	86,090	128,253
Profit (loss) for the period	-	-	32,751	32,751	(270)	32,481
Other comprehensive income:						
Reversal of impairment loss in respect of the available-for-sale financial asset	-	33,685	-	33,685	-	33,685
Total comprehensive income (expense) for the period	-	33,685	32,751	66,436	(270)	66,166
Disposal of a subsidiary (Note 22)	-	-	-	-	(18,111)	(18,111)
Balance at 30 June 2016 (Unaudited)	<u>2,232,349</u>	<u>969,982</u>	<u>(3,093,732)</u>	<u>108,599</u>	<u>67,709</u>	<u>176,308</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
At 1 January 2015 (Audited)	2,232,349	1,565,585	(4,399,939)	(602,005)	1,238,581	636,576
Profit (loss) for the period	-	-	958,740	958,740	(115,840)	842,900
Other comprehensive income:						
Exchange differences arising on translation of a foreign subsidiary	-	167	-	167	-	167
Total comprehensive income (expense) for the period	-	167	958,740	958,907	(115,840)	843,067
Release on disposal of a subsidiary	-	(629,460)	629,460	-	(1,045,218)	(1,045,218)
Acquisition of a subsidiary (Note a)	-	-	-	-	11,071	11,071
Balance at 30 June 2015 (Unaudited)	<u>2,232,349</u>	<u>936,292</u>	<u>(2,811,739)</u>	<u>356,902</u>	<u>88,594</u>	<u>445,496</u>

Notes:

- (a) During the six months ended 30 June 2015, the Group has acquired 51% equity interests in 漢中佳潤澤礦業開發有限責任公司 with consideration of approximately RMB11,523,000 from 陝西佳潤澤實業有限公司.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Cash flows from operating activities		
Cash used in operations	5,259	(234,130)
Tax paid	(672)	(1,351)
Net cash from (used in) operating activities	4,587	(235,481)
Cash flows from investing activities		
Net cash from disposal of a subsidiary (Note 22)	–	705,111
Purchases of property, plant and equipment	(85,847)	(150,497)
Proceeds from disposal of property, plant and equipment	10	9,085
Other investing cash flows (net)	6,962	9,478
Net cash (used in) from investing activities	(78,875)	573,177

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Cash flows from financing activities		
Bank and other borrowings raised	520,780	1,818,938
Repayments of bank and other borrowings	(385,569)	(2,273,172)
Other financing cash flows (net)	(29,798)	(24,052)
	<hr/>	<hr/>
Net cash from (used in) financing activities	105,413	(478,286)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	31,125	(140,590)
Cash and cash equivalents at 1 January	252,596	255,862
Effect of foreign exchange rate changes	–	167
	<hr/>	<hr/>
Cash and cash equivalents at 30 June represented by bank balances and cash	283,721	115,439
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. GENERAL INFORMATION

IRICO Group New Energy 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.

During the reporting period, 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 solar photovoltaic business, new materials business, trading business 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 condensed interim consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. BASIS OF PREPARATION

- (a) The condensed interim consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

- (b) The Group had net current liabilities of approximately RMB1,421,815,000 as at 30 June 2016. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:
 - (i) IRICO Group Corporation, the parent company of the Company, has sufficient financial capability and will actively provide financial support to the Group to meet the Group's liabilities and commitments as and when it falls due; and
 - (ii) the directors of the Company anticipate that the Group will maintain adequate cash flows for its operations and existing investments or financing needs.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. BASIS OF PREPARATION *(Continued)*

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

Correction of prior year errors

During the six months ended 30 June 2015, the gain from the disposal of IRICO Display Devices Co., Ltd. ("A Share Company") as at 29 May 2015, the date of completion of disposal, has been restated in respect to the correction of error in the value of net assets disposed of due to over-provision of other payables, fair value of the equity interest retained classified as available-for-sale financial assets and related taxes arose from the gain on disposal. Based those supplementary information available after the interim report has been issued, the Group's profit for the period from discontinued operation for the period ended 30 June 2015 was overstated by approximately RMB227,164,000.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. BASIS OF PREPARATION *(Continued)*

The impact of the restatements made in respect of errors is summarised below:

Condensed consolidated statement of profit of loss and other comprehensive income for the period ended 30 June 2015

	As previously reported <i>RMB'000</i>	Increase/ (decrease) <i>RMB'000</i>	As restated <i>RMB'000</i>
Profit for the period from discontinue operations	1,333,026	(227,164)	1,105,862
Profit for the period	1,070,064	(227,164)	842,900
Profit for the period attributed to owner of the Company	1,238,322	(279,582)	958,740
Loss for the period attributed to non-controlling interests	<u>(168,258)</u>	<u>52,418</u>	<u>(115,840)</u>
Basic and diluted earnings per share	<u>0.55</u>	<u>(0.12)</u>	<u>0.43</u>

The retrospective restatements as a result of the prior year errors did not have a material effect on the information in the condensed consolidated statement of financial position as at 1 January 2015. Accordingly, the opening statement of financial position as at 1 January 2015 is not presented.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed interim consolidated financial statements as at six months ended 30 June 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION

An operating segment regarding the TFT-LCD glass substrate and display devices production and sales business was discontinued during the six months ended 30 June 2015 as a result of disposal of the A Share Company, which are described in more detail in Note 22.

Due to the cease in production and sales of CPTs products, disposal of A Share Company and changed of the name of the Group on 4 February 2016, the Group began to adjust its business structure. Up to 30 June 2016, the Group substantially completed the change of its business structure which led to a change in the composition of its reportable segments. Based on the new business structure, the Group has four reportable segments and corresponding items of segment information for the period ended 30 June 2015 have been restated for presentation on the same basis. The four reportable segments are set out as follows:

1. Solar photovoltaic business
2. New materials business – production and sales of luminous materials and lithium battery anode materials
3. Trading business – trading of solar modules and other related accessories
4. Others

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2016

	Solar photovoltaic business RMB'000 (Unaudited)	New materials business RMB'000 (Unaudited)	Trading business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE					
External sales	465,334	102,244	258,906	223	826,707
Segment profit (loss)	25,269	(1,044)	3,251	(3,637)	23,839
Unallocated income					13,248
Unallocated expenses					(10,250)
Gain on disposal of a subsidiary					18,779
Finance costs					(13,475)
Share of profit of associates					218
Profit before tax					32,359

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION *(Continued)*

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

Six months ended 30 June 2015

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION (Continued)

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION *(Continued)*

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

	Solar photovoltaic business RMB'000	New materials business RMB'000	Trading business RMB'000	Others RMB'000	Total RMB'000
At 30 June 2016 (Unaudited)					
Segment assets	<u>1,702,230</u>	<u>366,219</u>	<u>272,525</u>	<u>108,710</u>	<u>2,449,684</u>
Unallocated assets					<u>935,746</u>
Total segment assets					<u><u>3,385,430</u></u>
At 31 December 2015 (Audited)					
Segment assets	<u>1,528,817</u>	<u>383,138</u>	<u>255,806</u>	<u>123,805</u>	<u>2,291,566</u>
Unallocated assets					<u>865,940</u>
Total segment assets					<u><u>3,157,506</u></u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION (Continued)

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

	Solar photovoltaic business RMB'000	New materials business RMB'000	Trading business RMB'000	Others RMB'000	Total RMB'000
At 30 June 2016 (Unaudited)					
Segment liabilities	<u>936,963</u>	<u>127,186</u>	<u>115,791</u>	<u>37,086</u>	<u>1,216,026</u>
Unallocated liabilities					<u>1,993,096</u>
Total segment liabilities					<u><u>3,209,122</u></u>
At 31 December 2015 (Audited)					
Segment liabilities	<u>884,662</u>	<u>115,355</u>	<u>74,299</u>	<u>68,134</u>	<u>1,142,450</u>
Unallocated liabilities					<u>1,886,803</u>
Total segment liabilities					<u><u>3,029,253</u></u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. SEGMENT INFORMATION *(Continued)*

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on:		
Bank and other borrowings	15,659	36,311
Amount due to IRICO Group	14,139	32,860
	<hr/>	<hr/>
Total borrowing costs	29,798	69,171
Less: amounts capitalised in the cost of qualifying assets	(16,323)	(12,259)
	<hr/>	<hr/>
	13,475	56,912
	<hr/> <hr/>	<hr/> <hr/>

Borrowing costs capitalised during the period arose on general borrowings pool and are calculated by applying a capitalisation rate of 4.75% per annum (six months ended 30 June 2015: 5.42% per annum) to expenditure on qualifying assets.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax expense		
PRC Enterprise Income Tax	–	520
Deferred tax	(122)	(408)
	(122)	112

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both periods ended 30 June 2016 and 2015.

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%.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

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

The operation of IRICO Luminous Material Co., Ltd has met the requirements under the OUWC Policy, and accordingly, EIT has also been provided at 15% for the six months ended 30 June 2015 (2016: nil).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. DISCONTINUED OPERATIONS

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. The disposal was completed on 29 May 2015. Its results are presented in this condensed interim consolidated financial statements as a discontinued operation.

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

	1 January 2015 to 29 May 2015 <i>RMB'000</i> (Unaudited and restated)
Loss of TFT-LCD glass substrate and display devices production and sales for the period	(202,219)
Gain on disposal of TFT-LCD glass substrate and display devices production and sales <i>(Note 22)</i>	<u>1,308,081</u>
	<u><u>1,105,862</u></u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. DISCONTINUED OPERATIONS (Continued)

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

	1 January 2015 to 29 May 2015 RMB'000 (Unaudited and restated)
Turnover	75,691
Cost of sales	(89,635)
Other operating income	3,062
Selling and distribution costs	(23,989)
Administrative expenses	(57,832)
Other operating expenses	(24,450)
Finance costs	(85,066)
Loss before tax	(202,219)
Income tax expenses	—
Loss for the period from discontinued operations	(202,219)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. DISCONTINUED OPERATIONS *(Continued)*

1 January 2015
to 29 May 2015
RMB'000
(Unaudited
and restated)

Loss for the period from discontinued operations include the following:

Allowance for inventories (included in other operating expenses)	24,364
Depreciation for property, plant and equipment	66,051
Depreciation for investment properties	59
Amortisation of leasehold land and land use rights	853
Provision for warranty	4,671
Interest income	(83)
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	31
Gain on disposal on property, plant and equipment	(714)
Employee benefit expenses	18,848

During the period from 1 January 2015 to 29 May 2015, A Share Company contributed RMB4,775,000 to the Group's net operating cash flows, paid RMB213,324,000 in respect of investing activities and received RMB319,093,000 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 22.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

8. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	1,388	28
Amortisation of leasehold land and land use rights	1,501	1,511
Depreciation of property, plant and equipment	24,667	18,941
Depreciation of investment properties	753	256
Cost of inventories recognised as an expense	729,736	819,621
Employee benefit expenses	15,647	24,802
Research and development costs	1,600	1,311
Impairment losses on investment in an associate (included in other operating expenses) (Note)	–	39,475
Operating lease rentals in respect of leasehold land and land use right	–	3,535
Operating lease rentals in respect of property, plant and equipment	5,565	3,781
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	4,269	3,491
Allowance of inventories (included in other operating expenses)	2,474	13,715
Share of tax of associates (included in share of profit (loss) of associates)	59	4
Provision for warranty	672	3,337
Amortisation of deferred income on grants received	(4,592)	(2,722)
Gain on disposal of property, plant and equipment	(14,488)	(8,159)
Reversal of impairment losses on trade and other receivables	(243)	(296)
Bank interest income	(759)	(70)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

Note: During the six months ended 30 June 2015, the directors of the Company has conducted an impairment assessment on the carrying amount of the investment in associates and recognised impairment loss of approximately RMB39,475,000 (2016: nil) as the associate had continuously incurred loss.

9. DIVIDEND

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

10. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Profit for the period attributable to the owners of the Company (<i>RMB'000</i>)	32,751	958,740
Weighted average number of ordinary shares in issue (<i>'000 shares</i>)	2,232,349	2,232,349

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

10. EARNINGS (LOSS) PER SHARE (Continued)

For continuing operations

The calculation of basic and diluted earnings (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:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Profit for the period attributable to the owners of the Company	32,751	958,740
Less: profit for the period from discontinued operations	<u> -</u>	<u>1,221,770</u>
Profit (loss) for the purpose of basic and diluted profit (loss) per share from continuing operations	<u>32,751</u>	<u>(263,030)</u>

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

For discontinued operations

Basic and diluted earning per share for the discontinued operations is nil (2015: profit of approximately RMB0.55 per share), based on no profit for the period attributable to the owners of the Company from the discontinued operations (2015: profit of approximately RMB1,221,770,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

Diluted earning (loss) per share was the same as the basic earnings (loss) per share for both continuing and discontinued operations as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2016 and 2015.

11. CAPITAL EXPENDITURE

During the current interim period, the Group spent approximately RMB85,847,000 (six months ended 30 June 2015: RMB150,497,000) on additions of property, plant and equipment.

Included in the additions to property, plant and equipment, the Group spent approximately RMB85,847,000 on the production line of solar photovoltaic glass. (six months ended 30 June 2015: approximately RMB45,107,000 and RMB105,390,000 on production line of TFT-LCD glass substrate and display devices and solar photovoltaic glass respectively).

During the current interim period, the Group disposed of property, plant and equipment with carrying values of approximately RMB22,684,000 (six months ended 30 June 2015: RMB54,000) with consideration of approximately RMB37,172,000 (six months ended 30 June 2015: RMB9,085,000).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Equity securities listed outside Hong Kong (Note a)	414,147	380,462
Unlisted equity securities, at cost (Note b)	102,916	102,916
	<u>517,063</u>	<u>483,378</u>

Notes:

- a) As at 30 June 2016, the listed investments substantially comprise of the investment in equity interests in A Share Company, which is directly held as to approximately 4.95% (at 31 December 2015: 4.95%) by the Group. A Share Company is a company listed on the Shanghai Stock Exchange.
- b) As at 30 June 2016, the unlisted equity securities are 7.30% (at 31 December 2015: 7.30%) equity interest issued by a private company, Shannxi Caihong Electronics Glass Co., Ltd.* (陝西彩虹電子玻璃有限公司), incorporated in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

* English name for identification purpose only

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. TRADE AND BILLS RECEIVABLES

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

The following is an aged analysis of trade receivables net of accumulated impairment losses of approximately RMB19,334,000 (at 31 December 2015: RMB17,289,000) presented based on the invoice date, which approximately the revenue recognition date, at the end of the reporting period:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 90 days	443,049	349,625
91 to 180 days	191,268	121,801
181 to 365 days	51,002	92,902
Over 365 days	24,336	53,760
	709,655	618,088

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Other receivables	30,936	15,801
Less: allowance for doubtful debts	(2,572)	(1,275)
	28,364	14,526
Leasehold land and land use rights	2,967	3,023
Deposits and prepayments	140,227	86,355
Value-added tax recoverables	73,808	80,850
	245,366	184,754

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. TRADE AND BILLS PAYABLES

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 90 days	454,435	417,565
91 to 180 days	130,476	78,368
181 to 365 days	122,893	120,837
Over 365 days	40,159	26,174
	747,963	642,944

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

16. BANK AND OTHER BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Bank loans – secured	45,000	52,000
Bank loans – unsecured and guaranteed	369,973	538,762
Other loans – unsecured and guaranteed	1,340,168	1,102,223
	<u>1,755,141</u>	<u>1,692,985</u>
Carrying amount repayable:		
On demand or within one year	1,518,141	1,466,365
More than one year, but not exceeding two years	204,800	200,000
More than two years, but not more than five years	32,200	26,620
	1,755,141	1,692,985
Less: Amounts shown under current liabilities	<u>(1,518,141)</u>	<u>(1,466,365)</u>
Amounts shown under non-current liabilities	<u>237,000</u>	<u>226,620</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

16. BANK AND OTHER BORROWINGS (Continued)

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB520,780,000 (30 June 2015: RMB1,818,938,000) and repayment of borrowings amounting to approximately RMB385,569,000 (30 June 2015: RMB2,273,172,000). For the six months ended 30 June 2016, the bank and other borrowings carry interests ranging from 1.20% to 5.70% per annum (at 31 December 2015: 3.17% to 7.45% per annum), which were used to finance the operations and used for general working capital of the Group.

17. SHARE CAPITAL

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

	Domestic shares		H shares		Total	
	Number of		Number of		Number of	
	shares	Amount	shares	Amount	shares	Amount
	'000	RMB'000	'000	RMB'000	'000	RMB'000
Registered, issued and fully paid:						
At 1 January 2015 (audited), 31						
December 2015 (audited) and 30						
June 2016 (unaudited)	1,601,468	1,601,468	630,881	630,881	2,232,349	2,232,349

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

17. BANK AND OTHER BORROWINGS *(Continued)*

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

18. RELATED PARTY TRANSACTIONS

The Group is controlled by IRICO Group (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 and its subsidiaries (other than the Group), associates and jointly controlled entities, corporations in which the Company is able to control, jointly control or exercise significant influences, key management personnel of the Company and IRICO Group and their close family members. IRICO Group 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS (Continued)

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during the six months ended 30 June 2016 and 2015 and balances as at 30 June 2016 and 31 December 2015 with related party transactions.

The following transactions were carried out with related parties:

(a) Sales of goods

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of goods to the IRICO Group (Note)		
– Shanghai Epilight Technology Co., Ltd.	–	717
– Shanxi IRICO Electronics Glass Co., Ltd.	–	4
– Huadong Electron Group Company Ltd.	1,111	–
– Nanjing CEC Panda LCD Technology Co., Ltd.	184	–
	<u>1,295</u>	<u>721</u>
Other state-owned enterprises	<u>148,407</u>	<u>29,831</u>

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of goods and provision of services

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchases of goods from the IRICO Group (Note i)		
– IRICO Group Labor Service Company	129	131
– Xianyang Cailian Packaging Materials Co., Ltd.	17,917	12,909
– Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	–	2
– Xianyang Zhongdian IRICO Group Holdings Ltd.	1,829	2,353
– Zhongdian Xionghao Trade Development Limited Company	1,002	–
– 咸陽中電彩虹物業管理有限公司	12	–
	20,889	15,395
Other state-owned enterprises	44,658	60,982

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Provision of services provided from the IRICO Group <i>(Note i)</i>		
– Utility charges to the utilities plant of the IRICO Color Picture Tube General Factory	100,472	138,817
– Utility charges to the utilities plant of the Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	–	337
– Utility charges to the utilities plant of the Xianyang Cailian Packaging Materials Co., Ltd.	100	916
– Utility charges to Xianyang IRICO Thermoelectricity Co., Ltd.	319	–
– Rental expense to Xianyang Zhongdian IRICO Group Holdings Ltd.	5,565	8,612
– Trademark license fee to parent company <i>(Note ii)</i>	–	113
– Miscellaneous charges to IRICO Color Picture Tube General Factory	77	439
– Interest expense paid to parent company	14,139	32,860
– IRICO (Hefei) LCD Glass Co., Ltd.	35,966	922
– IRICO Hospital	–	94
	<u>156,638</u>	<u>183,110</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes:

- (i) Purchases of goods and provision of services from related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.
- (ii) License fee for using the trademark owned by parent company was paid by the Group, at 0.1% of sales based on the terms stipulated in agreements. On 14 November 2012, the Group entered into an agreement with IRICO Group for terms of three years up to 31 December 2015.

(c) Balance with parent company

- (i) Amount due to parent company

	30 June 2016	31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Included in other payables and accruals	105,233	131,287

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS *(Continued)*

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

(ii) Loans from parent company

	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
Interest bearing loan	809,168	832,071

The interest bearing loan from parent company is unsecured, bear interest at variable rate with reference to the People's Bank of China Prescribed Interest Rate and are repayable on demand. As at 30 June 2016, the effective interest rate is ranging from 1.20% to 3.48% (31 December 2015: 5.60% to 6.16%) per annum.

(iii) Directors' emolument born by parent company

During the six months ended 30 June 2016 and 2015, all the executive and non-executive directors emoluments were borne by IRICO Group Corporation.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	988	964
Retirement benefit contributions	227	98
Cash-settled share-based payments expense	—	655
	1,215	1,717

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS (Continued)

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables from related parties:		
The IRICO Group		
– Xianyang Rainbow Photovoltaic Technology Co., Ltd.	8,510	6,942
– Parent company	433	433
– IRICO Group Labor Service Company	5	6
– Hefei Epilight Technology Co., Ltd.	1,286	1,354
– Nanjing CEC Panda LCD Technology Co., Ltd.	215	–
– Nanjing Panda Television Co., Ltd.	215	–
	10,664	8,735
Other state-owned enterprises	21,506	2,020
	32,170	10,755
Representing:		
Trade receivables	32,170	10,755

The balance with other state-owned enterprise and its fellow subsidiaries only accounted for approximately 5% (31 December 2015: approximately 5%) of the Group's trade and bills receivables as at 30 June 2016.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS (Continued)

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables to related parties (Note):		
The IRICO Group		
– Xianyang Cailian Packaging Materials Co., Ltd.	13,931	11,960
– Parent company	301	408
– IRICO Color Picture Tube General Factory	104,195	117,408
– Xianyang Caiqin Electronic Devices Co., Ltd.	4,740	4,740
– IRICO (Hefei) LCD Glass Co., Ltd.	19,974	15,983
– Xianyang IRICO Group CLP Holdings Ltd.	3,476	3,968
– 中國電子系統工程第三建設有限公司	–	1,282
– Xianyang Rainbow Photovoltaic Technology Co., Ltd.	32	–
– Xianyang IRICO Thermoelectricity Co., Ltd.	167	–
– Zhongdian Xiongmao Trade Development Limited Company	3,299	–
– 咸陽中電彩虹物業管理有限公司	9	–
	<u>150,124</u>	<u>155,749</u>
Other state-owned enterprises	<u>107,114</u>	<u>33,309</u>
	<u>257,238</u>	<u>189,058</u>
Representing:		
Trade payables	<u>202,258</u>	<u>189,058</u>
Trade bills payables	<u>54,980</u>	<u>–</u>
	<u>257,238</u>	<u>189,058</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS *(Continued)*

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

The balance with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% (31 December 2015: 5%) of the Group's trade and bills payables as at 30 June 2016.

(f) Disposal of subsidiaries

	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Consideration received from disposal of the following subsidiaries to Xianyang Zhongdian IRICO Group Holdings Ltd. ("Xianyang IRICO"):		
– Xianyang IRICO Electronic Parts Co., Ltd. ("IRICO Accessories") <i>(Note 22)</i>	45,946	–
– A Share Company <i>(Note 22)</i>	–	897,129
	45,946	897,129

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS (Continued)

(g) Disposal of plants and equipments

	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Consideration received from disposal of plants and equipments to Xianyang Cailian	—	9,661

19. COMMITMENTS

Capital expenditure

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted for but not provided in the condensed interim consolidated financial statements:		
– Construction of photovoltaic glass production line	182,109	4,138

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

19. COMMITMENTS *(Continued)*

Operating leases

As lessee

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

	Land use rights		Leasehold buildings	
	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
Within one year	–	2,103	5,565	6,301

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

19. COMMITMENTS (Continued)

Operating leases (Continued)

As lessor

Property held for earning rental income is expected to generate rental yields of 15% (six months ended 30 June 2015: 5.5%) on an ongoing basis. All the properties held have committed tenants for the next 1 year to 6 years (six months ended 30 June 2015: 1 year to 7 years).

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	11,278	8,134
In the second to fifth years inclusive	19,259	11,123
Over five years	1,124	–
	31,661	19,257

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

20. PLEDGE OF ASSETS

At 30 June 2016, certain assets of the Group were pledged to secure bank borrowings granted to the Group as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Property, plant and equipment	18,283	14,720
Leasehold land and land use right	3,205	3,259

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30/6/2016 (unaudited) RMB'000	31/12/2015 (audited) RMB'000		
Listed equity securities classified as available-for-sale financial assets	414,147	380,462	Level 1	Quoted bid prices in active market

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

22. DISPOSAL OF A SUBSIDIARY

For the six months ended 30 June 2016

On 9 May 2016, the Company and Xianyang IRICO (咸陽中電彩虹集團控股有限公司), a subsidiary of CEC, entered into the agreement, pursuant to which the Company agreed to sell, and Xianyang IRICO agreed to acquire 60% of equity interests in IRICO Accessories (咸陽彩虹電子配件有限公司) at a cash consideration of approximately RMB45,946,000. As a result of such disposal, the Company ceased to have any interest in IRICO Accessories. The update of registration record in PRC Company Registry is still in progress as at 30 June 2016.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

22. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the six months ended 30 June 2016 *(Continued)*

The consolidated net assets and liabilities of IRICO Accessories and its subsidiaries at the date of disposal as at 30 April 2016 were as follows:

	Total
	RMB'000
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Analysis of assets and liabilities disposal of:	
Properties, plant and equipment	11,797
Leasehold land and land use right	2,123
Trade and bills receivables	26,667
Other receivables	3
Bank balances and cash	10,193
Trade and bills payables	(456)
Other payables	(2,927)
Termination benefit	(2,122)
	<hr/>
	45,278
	<hr/> <hr/>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

22. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the six months ended 30 June 2016 *(Continued)*

	Total RMB'000
Gain on disposal of a subsidiary:	
Consideration received	45,946
Net assets disposed of	(45,278)
Non-controlling interests	18,111
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Gain on disposal	18,779
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Net cash inflow arising on disposal:	
Cash consideration	45,946
Settlement through current account included in other payables and accruals	(35,753)
Cash and cash equivalents disposed of	(10,193)
	<hr/>
	-
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During the period from 1 January 2016 to 30 April 2016, IRICO Accessories contributed a loss and net cash outflow of approximately RMB16,000 and RMB23,000 to the Group's loss and net cash flows respectively.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

22. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the six months ended 30 June 2015

On 6 February 2015, the Company and Xianyang IRICO, 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.

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

22. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the six months ended 30 June 2015 *(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 (Restated)
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Analysis of assets 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 payables	(858,062)
Other payables	(113,475)
Bank and other borrowings	(4,308,369)
Deferred income	(281,677)
	<hr/>
	1,374,653
	<hr/> <hr/>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

22. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the six months ended 30 June 2015 *(Continued)*

	Total RMB'000 (Restated)
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Gain on disposal of subsidiaries:	
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	<u>1,045,218</u>
Gain on disposal	<u><u>1,308,081</u></u>

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

	Total RMB'000 (Restated)
<hr/>	
Net cash inflow arising on disposal:	
Cash consideration	862,458
Cash and cash equivalents disposed of	<u>(157,347)</u>
	<u><u>705,111</u></u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

22. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the six months ended 30 June 2015 *(Continued)*

During the period from 1 January 2015 to 29 May 2015, the A Share Company contributed a loss and net cash inflow of approximately RMB202,219,000 and RMB110,544,000 to the Group's loss and net cash flows respectively.

23. COMPARATIVE FIGURES

As explained in note 2 to the condensed interim consolidated financial statements, certain comparative figures in the condensed interim consolidated statement of profit or loss and other comprehensive income and relevant notes to the condensed interim consolidated financial statements have been restated to correct the prior period errors.