



**IRICO**

**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)

**2018**  
**INTERIM REPORT**

\*For identification purpose only

## CONTENTS

	<i>Page</i>
I. Results Highlights . . . . .	2
II. Management Discussion and Analysis. . . . .	3
(I) Industry Analysis . . . . .	3
(II) Business Review . . . . .	5
(III) Financial Review . . . . .	10
III. Other Information. . . . .	17
(I) Interests and Short Positions of Directors, Supervisors and Chief Executives. . . . .	17
(II) Interests and Short Positions of Substantial Shareholders and Other Persons . . . . .	18
(III) Audit Committee . . . . .	20
(IV) Independent Non-executive Directors . . . . .	20
(V) Corporate Governance Code. . . . .	21
(VI) Model Code for Securities Transactions by Directors of Listed Issuers . . . . .	21
(VII) Purchase, Redemption or Sale of Shares of the Company . . . . .	21
(VIII) Employees. . . . .	22
(IX) Public Float . . . . .	22
(X) Material Acquisition and Disposal . . . . .	23
(XI) Other Matters . . . . .	24
IV. Corporate Profile . . . . .	32
Independent Review Report . . . . .	34
Balance Sheet. . . . .	36
Income Statement . . . . .	41
Statement of Cash Flows . . . . .	45
Statement of Changes in Equity. . . . .	49
Notes to the Condensed Interim Consolidated Financial Statements . . . . .	51

## I. RESULTS HIGHLIGHTS

Item (RMB0'000)	First half of 2018	First half of 2017	Increase or decrease	Percentage change
Operating revenue	<b>116,728</b>	106,621	10,107	9.48%
Including: Principal operating revenue	<b>114,809</b>	98,969	15,839	16.00%
Other operating revenue	<b>1,919</b>	7,652	-5,732	-74.92%
Gross profit from main business	<b>18,528</b>	9,711	8,817	90.79%
Operating profit (loss is represented by "-")	<b>5,156</b>	-2,316	7,472	322.61%
Total profit (loss is represented by "-")	<b>22,628</b>	3,554	19,074	536.75%
Net profit (net loss is represented by "-")	<b>22,117</b>	3,225	18,892	585.77%
Including: Net profit attributable to the shareholders of the Company	<b>20,203</b>	2,964	17,239	581.52%
Minority interests	<b>1,914</b>	261	1,653	634.15%
Total comprehensive income (loss is represented by "-")	<b>20,952</b>	-833	21,785	2,614.28%
Including: Total comprehensive income attributable to the shareholders of the Company	<b>19,038</b>	-1,094	20,132	1,840.18%
Total comprehensive income attributable to minority interests	<b>1,914</b>	261	1,653	634.15%
Gearing ratio	<b>91.06%</b>	95.88%		

## II. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) Industry Analysis

#### 1. *Solar photovoltaic industry*

The global photovoltaic market continues to grow. It is estimated that the installed capacity in photovoltaic power stations in the world will be 105GW in 2018, representing an increase of 11% compared with 2017. Its growth momentum results from the growth of global emerging markets and the further decline in the installed cost of photovoltaic power stations.

During the reporting period, the newly installed capacity of photovoltaic power stations in the PRC was approximately 24GW, which was basically flat as compared with the corresponding period of last year, including 12GW of installed capacity in distributed photovoltaic power generation, representing a year-on-year increase of 72%. After the National Development and Reform Commission of the PRC, Ministry of Finance of the PRC and the National Energy Administration issued the Notice of Matters Relevant to Photovoltaic Power Generation in 2018 (關於2018年光伏發電有關事項的通知) on 31 May 2018, China's photovoltaic market has undergone significant changes. However, the temporary decline in the Chinese market does not affect the growth trend of the global photovoltaic market. In the short term, the domestic photovoltaic market demand will be reduced, market competition will intensify, and the integration of photovoltaic manufacturers will be accelerated. However, in the long run, the new photovoltaic policy can promote the healthy development of the photovoltaic industry and reduce the dependence on government grants, which will help the photovoltaic industry to maintain growth through technological innovation and quality improvement, and realize grid-parity as early as possible.



During the reporting period, due to the impact on the photovoltaic glass industry by the release of newly production capacity at the end of last year, the supply gradually increased in the first half of 2018, but the sales price gradually declined. With the release of the new photovoltaic policy, the market competition for photovoltaic glass has become more intense. However, as the global photovoltaic market continues to grow and the grid-parity is gradually achieved for photovoltaic generation, the photovoltaic glass enterprises with scale advantage, leading technology and market share in overseas markets will embrace optimistic prospects in the photovoltaic glass market in the long run.

## **2. *New materials business***

With the changes in the global economic situation, more attention will be paid to the self-reliance of high-tech industry.

In the past three months, IRICO Group New Energy Company Limited\* (the “Company”) has devoted increasing efforts into marketing for the planned new flat panel display materials and semiconductor materials business. With huge potential of the import substitution market and gradual mass production of the new domestic display panel projects including LCD panel projects of China Electronics Corporation\* (中國電子信息集團有限公司) (“CEC”) in Xianyang and Chengdu, the market demand continued to grow.

During the reporting period, the rapid growth of the new energy vehicle market as driven by the policy has become the main driving force for the growth of lithium battery anode materials, the upstream raw materials. In terms of the market prospects of the above-mentioned photovoltaic industry, the Company has important inherent advantages in reduction of cost of the ancillary plating liquid and other materials as well as strengthening the synergy of the industrial chain.

Due to the stable demand of the luminous materials industry, the Company's traditional luminescent display materials will maintain moderate development.

## **(II) Business Review**

### **1. *Operation summary***

During the reporting period, the Group continued the thorough adjustment to the industrial structure. Keeping abreast of the industrial development trend, the Group focused on making technological breakthroughs, steered toward expansion of market presence and concentrated its efforts on improvement of benefits. As a result, the Group achieved consistent increase in production capacity of the production lines, new heights in respect of the proportion of qualified products, significant reduction of production cost, remarkable improvement in production efficiency and steady progress of project construction, technological innovation and enhancement of quality and efficiency.

## 2. **Business progress**

### (1) *Solar photovoltaic business*

- Solar photovoltaic glass

During the reporting period, the Group recorded a substantial increase in the revenue of solar photovoltaic glass business as compared with the same period last year, with increasingly higher proportion of qualified products. The proportion of qualified products remained at 85% or above, representing outstanding performance among the peers. Xianyang photovoltaic glass project maintained its favorable momentum while Hefei photovoltaic glass project phase II reached the designed capacity smoothly. Hefei photovoltaic industrial park has become the world's largest production base of photovoltaic glass using oxygen-fuel combustion technology, which gives the full rein to the economies of large-scale production of extra-large furnaces. After intelligent manufacturing and automatic transformation, it was accredited as an "intelligent manufacturer of thin ultra-white embossed, coated and tempered glass" by the municipal government of Hefei. Yan'an photovoltaic glass project with largest single scale and more advanced technology is currently under trial operation after the smooth completion of its construction. It is an industry model which reflects the Group's

efforts to practice the targeted poverty alleviation appeal of the government, to bravely shoulder its responsibilities as a central enterprise and to proactively cooperate with local governments.

During the reporting period, the Group focused on upgrading key technologies and adjusting product structure. It actively promoted the development and mass production of thin photovoltaic glass, accelerated trial production and certification of double glass and glazed glass. Presently, production lines in Xianyang, Hefei and Yan'an are all compatible to the production of thin photovoltaic glass with thickness of 2.0mm to 2.5mm.

- Solar photovoltaic modules

During the reporting period, the Group carried out preliminary work for the construction of the high efficiency photovoltaic module project with an output of 2GW in Zhangjiagang. Focusing on high-efficiency silicon solar modules, the Group adopted advanced and mainstream technological solutions such as bifaciality, halved cell and multiple busbars, and aimed to build intelligent workshops. It sought for further scaling up of its photovoltaic business mainly in the markets of the “Belt and Road” countries, and the markets in respect of the “front-runner” project and industrial and commercial distributed power stations.



- Solar photovoltaic power station

During the reporting period, in order to vigorously press ahead with the construction of distributed power stations, the Group looked into 27 research projects in Changwu of Shaanxi, Zhongxiang of Hubei, Nanjing of Jiangsu, Liuzhou of Guangxi, Hainan, etc. After adopting the “531” new policy, the Company continued to promote industrial and commercial subsidy-bearing distributed projects that generate electricity for internal usage and poverty alleviation projects with policy support based on the classification and estimation on projects at hand; and proactively sought for opportunities to participate in the “front-runner” projects.

- Quartz sand processing

During the reporting period, the Group’s Hanzhong Quartz Sand Mine has achieved steady supply to the photovoltaic glass plants and new photovoltaic glass projects of the Group, gradually showing the effect of industry chain synergies.

(2) *New materials business*

During the reporting period, the Group was committed to developing materials used in flat panel display and semiconductor integrated circuits (mainly including positive photoresist for which the production technology and production lines of Merck KGaA in Germany was introduced as well as the existing electric silver paste), ancillary materials for the new energy industry (plating liquid for photovoltaic glass and power battery materials for new energy vehicles) and traditional luminescent materials (phosphor powder). With robust development of overall operation, the Group recorded a year-on-year increase of over 30% in the production and sales volumes and a significant increase in operating performance.

(3) *Trading and other businesses*

During the reporting period, trading and other businesses of the Group declined sharply.

### (III) Financial Review

#### 1. Overall performance

During the reporting period, with the strong growth of the Group's main business, the Group recorded operating revenue from its main business of RMB1,148.09 million, representing a year-on-year increase of RMB158.39 million or 16%, which mainly comprised revenue from solar photovoltaic business of RMB894.45 million, representing a year-on-year increase of RMB300.46 million or 50.58%; revenue from new materials business of RMB176.71 million, representing a year-on-year increase of RMB29.65 million or 20.17%; revenue from trading business of RMB74.14 million, representing a year-on-year decrease of RMB175.67 million or 70.32%.

The Group recorded a total profit of RMB226.28 million, representing a year-on-year increase of RMB190.74 million or 536.75%; and net profit of RMB221.17 million, representing a year-on-year increase of RMB188.92 million or 585.77%, respectively. The growth was mainly due to new breakthroughs in the proportion of qualified products and product output, cost reduction resulting from lean production and energy saving and consumption reduction, increase in gross profit margin benefiting from optimized product portfolio, and investment gains of RMB144.15 million from the transfer of 51% equity interests in Zhuhai Caizhu Industrial Co., Ltd.\* (珠海彩珠實業有限公司) ("Zhuhai Caizhu") by the Group.

## 2. Business results

### 1) Unaudited profit and loss

Item	For the six months ended 30 June (RMB'000)			
	2018	2017	Increase or decrease	Percentage change
Operating revenue	<b>116,728</b>	106,621	10,107	9.48%
Including: Principal operating revenue	<b>114,809</b>	98,969	15,839	16.00%
Other operating revenue	<b>1,919</b>	7,652	-5,732	-74.92%
Operating costs	<b>96,855</b>	95,822	1,033	1.08%
Including: Principal operating costs	<b>96,281</b>	89,258	7,023	7.87%
Other operating costs	<b>575</b>	6,564	-5,989	-91.25%
<b>Operating gross profit</b>	<b>19,873</b>	10,799	9,074	84.02%
Taxes and surcharges	<b>777</b>	600	178	29.61%
Selling expenses	<b>3,718</b>	4,329	-611	-14.11%
Administrative expenses	<b>5,002</b>	4,744	258	5.43%
Research and development expenses	<b>1,833</b>	346	1,488	430.38%
Finance costs	<b>3,387</b>	3,097	290	9.35%
<b>Operating profit</b>	<b>5,156</b>	-2,316	7,472	322.61%
Impairment losses on assets	<b>70</b>	346	-276	-79.88%
Other income	<b>3,093</b>	1,958	1,135	57.98%
Investment income	<b>14,426</b>	1,137	13,289	1168.35%
Gains from changes in fair value	<b>22</b>	0	22	
Gains from disposal of assets	<b>0</b>	-51	51	100.00%
Non-operating income	<b>10</b>	3,431	-3,421	-99.72%
Non-operating expenses	<b>9</b>	260	-251	-96.62%
<b>Total profit</b>	<b>22,628</b>	3,554	19,074	536.75%
Income tax	<b>511</b>	329	182	55.50%
<b>Net profit</b>	<b>22,117</b>	3,225	18,892	585.77%
Including: Net profit attributable to the shareholders of the Company	<b>20,203</b>	2,964	17,239	581.52%
Minority interests	<b>1,914</b>	261	1,653	634.15%

2) *Turnover*

## Turnover by product

Item	For the six months ended 30 June (RMB'000)			
	2018	2017	Increase or decrease	Percentage change
Operating revenue	<b>116,728</b>	106,621	10,107	9.48%
Including: Solar photovoltaic business	<b>89,445</b>	59,398	30,046	50.58%
New materials business	<b>17,671</b>	14,705	2,965	20.17%
Trading business	<b>7,414</b>	24,980	-17,567	-70.32%
Others	<b>2,649</b>	7,537	-4,889	-64.86%
Intersegment eliminations	<b>-449</b>	-	-449	-

3. *Change over Last Year and Reasons*1) *Principal operating revenue and profit*

During the reporting period, with the strong growth of the Group's main business, the Group recorded operating revenue from its main business of RMB1,148.09 million, representing a year-on-year increase of RMB158.39 million or 16%, which mainly comprised revenue from solar photovoltaic business of RMB894.45 million, representing a year-on-year increase of RMB300.46 million or 50.58%; revenue from new materials business of RMB176.71 million, representing a year-on-year increase of RMB29.65 million or 20.17%; revenue from trading business of RMB74.14 million, representing a year-on-year decrease of RMB175.67 million or 70.32%.



The Group recorded a total profit of RMB226.28 million, representing a year-on-year increase of RMB190.74 million or 536.75%; and net profit of RMB221.17 million, representing a year-on-year increase of RMB188.92 million or 585.77%, respectively. The growth was mainly due to new breakthroughs in the proportion of qualified products and product output, cost reduction resulting from lean production and energy saving and consumption reduction, increase in gross profit margin benefiting from optimized product portfolio, and investment gains of RMB144.15 million from the transfer of 51% equity interests in Zhuhai Caizhu by the Group.

2) *Administrative expenses*

The Group's administrative expenses for the first half of 2018 was RMB50.02 million (RMB47.44 million for corresponding period of 2017), representing an increase of RMB2.58 million or 5.43%, basically flat as compared with the corresponding period of last year.

3) *Finance costs*

The Group's finance costs included in profit and loss for the first half of 2018 was RMB33.87 million (the first half of 2017: RMB30.97 million), representing an increase of RMB2.90 million or 9.35% as compared with the corresponding period of last year. The increase in finance costs was mainly attributable to the impacts of the increase in interest rates and borrowings.

#### **4. Current assets and financial resources**

As at 30 June 2018, the Group's cash and bank balances amounted to RMB327.39 million, representing a decrease of RMB164.12 million or 33.39% from RMB491.51 million as at 31 December 2017.

For the six months ended 30 June 2018, the Group's net cash inflow from operating activities amounted to RMB32.32 million (30 June 2017: net cash outflow from operating activities of RMB182.30 million), while net cash inflow from financing activities and net cash outflow from investing activities were RMB18.29 million (30 June 2017: RMB76.70 million) and RMB191.73 million (30 June 2017: RMB185.49 million) respectively. The Group's capital expenditures amounted to RMB177.94 million in total (30 June 2017: RMB140.84 million).

As at 30 June 2018, the liabilities (including bank borrowings and other borrowings) of the Group totaled RMB2,588.95 million (31 December 2017: RMB2,491.51 million).

For the six months ended 30 June 2018, the turnover days for accounts receivables of the Group was 108 days, representing an increase of 7 days as compared with the corresponding period of last year, which was mainly attributable to: a significant increase in the balance of accounts receivables of Jiangsu IRICO Yongneng New Energy Company Limited\* (江蘇彩虹永能新能源有限公司) ("Jiangsu Yongneng").

For the six months ended 30 June 2018, the inventory turnover days of the Group was 30 days, representing an increase of 1 day as compared with the corresponding period of last year, which was basically flat as compared with the corresponding period of last year.

## **5. Capital structure**

As at 30 June 2018, the Group's borrowings were mainly denominated in Renminbi and US dollars, while the Group's 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 30 June 2018, the liabilities (including bank borrowings and other borrowings) of the Group totaled RMB2,588.95 million (31 December 2017: RMB2,491.51 million); the cash and bank balances were RMB327.39 million (31 December 2017: RMB491.51 million); and the gearing ratio was 91.06% (31 December 2017: 94.74%).

## **6. Interim dividend**

As there was no accumulated surplus in the first half of 2018, the board of directors (the "Board") resolved not to distribute any interim dividend for the six months ended 30 June 2018.

## **7. Foreign exchange risk**

The Group's income and most of its expenses were denominated in Renminbi and US dollar. For the six months ended 30 June 2018, the operating costs of the Group decreased by RMB6.12 million (30 June 2017: decreased by RMB930,000) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

## **8. Commitments**

As at 30 June 2018, the capital expenditure commitments of the Group amounted to RMB989.54 million (31 December 2017: RMB1,152.58 million).

## **9. Contingent liabilities**

As at 30 June 2018, the Group had no material contingent liability.

## **10. Pledged assets**

As at 30 June 2018, the bank loans of the Group amounted to approximately RMB708.72 million, which were secured by certain properties, plants, equipment, land use rights, available-for-sale financial assets and bank balances of the Group with a net carrying amount of approximately RMB386.59 million. As at 31 December 2017, the bank loans of the Group amounted to approximately RMB649.20 million, which were secured by certain properties, plants, equipment, land use rights, available-for-sale financial assets and bank balances of the Group with a net carrying amount of approximately RMB445.05 million.

### III. OTHER INFORMATION

#### (I) **Interests and Short Positions of Directors, Supervisors and Chief Executives**

As of 30 June 2018, none of the directors (the “Directors”), supervisors (the “Supervisors”) or chief executives of the Company and their respective associates held an 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”)) which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which 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 Issuers (the “Model Code”) as set out in Appendix 10 to Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

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 chief executive of the Company had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 30 June 2018 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

CEC, through IRICO Group Company Limited\* ("IRICO Group") and its subsidiary, Rui Bou Electronics (HK) Limited, had interests in 1,601,468,000 domestic shares (representing 100% of the domestic share capital of the Company) and 21,276,000 H shares of the Company, whereas HKSCC Nominees Limited had interests in 628,864,289 H shares of the Company (representing 99.67% of the H share capital of the Company).

Si Yuncong acts as a Director of the Company and concurrently acts as the chairman of IRICO Group. Mr. Ding Wenhui acts as the Supervisor and the chairman of the supervisory committee of the Company and concurrently acts as the deputy secretary of the Communist Party Committee, the deputy secretary of Discipline Inspection Committee and the chairman of Employee Union of IRICO Group.

*Notes:*

As at 30 June 2018, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 628,864,289 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).

### **(III) Audit Committee**

The Company established an audit committee under the Board (the “Audit Committee”). The Board adopted all contents set out in code provision C.3.3 of the Corporate Governance Code (the “CG 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 auditing, risk management and internal controls as well as financial reporting, including the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2018.

The interim financial report has been reviewed by the Company’s auditor, in accordance with the requirements of China Certified Public Accountants Review Standard No. 2101 – Review of Financial Statements.

### **(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 Code**

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the CG Code contained in Appendix 14 of the Listing Rules. During the six months ended 30 June 2018, the Company has complied with the Code Provisions of the CG Code.

**(VI) Model Code for Securities Transactions by Directors of Listed Issuers**

For the six months ended 30 June 2018, the Company has adopted a set of 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, Redemption or 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.

## **(VIII) Employees**

As at 30 June 2018, the Group had a total of 2,430 in-service employees, of whom, approximately 10.5% were management and administrative personnel, 10.7% were technical personnel, 1.6% were financial and audit personnel, 1.6% were sales and marketing personnel and 75.6% were production workers.

The employment and remuneration policies of the Group 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) Material Acquisition and Disposal*****Disposal of 51% equity interest in Zhuhai Caizhu Industrial Co., Ltd.\****

On 3 May 2018, the Company entered into the Equity Transfer Agreement with Xianyang Zhongdian IRICO Group Holdings Ltd.\* (咸陽中電彩虹集團控股有限公司) (“Zhongdian IRICO”), pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 51% equity interest in Zhuhai Caizhu at a cash consideration of RMB131,882,093.71. Upon completion of the disposal, the Company will hold 49% equity interest in Zhuhai Caizhu, and Zhuhai Caizhu will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company. The disposal was approved by the independent shareholders at the extraordinary general meeting held on 26 June 2018. The update of registration record in the industry and commerce administration authority was still in progress as at 30 June 2018.

For details, please refer to the announcement of the Company dated 3 May 2018 and the circular of the Company dated 1 June 2018.

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

## (XI) Other Matters

### 1. *Changes of the information of Director*

During the reporting period, the latest resume of the Director which is required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

**Mr. Si Yuncong (司雲聰)**, aged 54, is the chairman and an executive Director of the Company. Mr. Si graduated from Hohai University majoring in economic management with a Ph.D. degree and is a senior engineer. Mr. Si successively served as head of the environment monitoring station, director assistant and vice director of the safe technology and environmental protection division, deputy chief and chief of the production safety department, deputy factory manager and manager of East China Electronic Tube Factory\* (華東電子管廠), deputy general manager and general manager of Nanjing Huadong Electronics Group Co., Ltd.\* (南京華東電子集團股份有限公司), executive director and general manager of Nanjing Huadong Electronics Group Company\* (南京華東電子集團公司), the deputy general manager of IRICO Group from May 2013 to March 2016, and the general manager, a member of the Party Committee and the legal representative of IRICO Group from March 2016 to April 2018, and currently serves as the chairman, the Party secretary and the legal representative of IRICO Group.

**2. *Adoption of the PRC Accounting Standards For Business Enterprises; proposed amendments to the articles of association ; and proposed change of overseas auditor and proposed engagement of auditor***

According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements using Mainland accounting standards, and Mainland audit firms approved by the Ministry of Finance of the PRC (“MOF”) and the China Securities Regulatory Commission (“CSRC”) are allowed to serve these issuers using Mainland auditing standards. In order to improve efficiency and reduce disclosure costs and audit fees, on 6 November 2017, the Board considered and approved the adoption of the PRC Accounting Standards for Business Enterprises to replace the Hong Kong Financial Reporting Standards as the basis for preparation of the overseas financial report of the Company with effect from 1 January 2018.

In light of the change of basis for preparation of the overseas financial report of the Company and in accordance with the spirit of the work meeting on Party construction by state-owned enterprises in the PRC in relation to proactive fulfillment of the requirements of the organizing department of the Central Committee of the Communist Party of China and the State-owned Assets Supervision and Administration Commission of the State Council on incorporating the overall requirements of Party construction into the articles of association of companies, the Board proposed the amendments to the Articles of Association. The amendments to relevant articles involving change of accounting standards shall come into effect since 1 January 2018. The amendments were approved by shareholders at the extraordinary general meeting of the Company held on 22 December 2017.

In view of the above change of basis for preparation of overseas financial report of the Company, the Board also proposed to cease the re-appointment of PKF Hong Kong Limited (大信梁學濂(香港)會計師事務所有限公司) as the overseas auditor of the Company for the year 2018, and appoint WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) as the auditor of the Company to carry out audit on the financial statements of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises and discharge the duties as an overseas auditor under the Listing Rules. WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) is a firm of practicing accountants which has been approved by the MOF and the CSRC and eligible to provide auditing services by using the China Standards on Auditing to the mainland incorporated issuers listed in Hong Kong. Upon approval by the shareholders at the 2017 annual general meeting held on 25 May 2018, PKF Hong Kong Limited (大信梁學濂(香港)會計師事務所有限公司) ceased to serve as the Company's 2018 overseas auditor, and WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) served as the sole auditor of the Company.

For details, please refer to the announcements of the Company dated 6 November 2017, 22 December 2017 and 25 May 2018 and the circular dated 1 December 2017.



**3. *Proposed issue of new H shares under specific mandate; connected transaction relating to proposed subscription of new H shares by a connected person; and proposed subscription of new H shares by independent third parties***

On 24 July 2017, the Board approved the proposed H share issue (including the proposed subscription by each of Zhongdian IRICO and Yan'an Dingyuan Investment Co., Ltd.\* (延安市鼎源投資有限責任公司) ("Yan'an Dingyuan") under a specific mandate, pursuant to which the Company shall issue not more than 2 billion new H shares to not more than 10 target subscribers (including Zhongdian IRICO and Yan'an Dingyuan) and therefore the aggregate nominal value of the H shares to be issued shall not exceed RMB2 billion. The gross proceeds to be raised from the proposed H share issue shall not exceed RMB2 billion.

On 1 February 2018, the Board approved the resolution regarding the adjustments to the proposed H share issue. The number of new H shares to be issued by the Company under the proposed H share issue would be adjusted to not more than 2.3 billion new H shares as compared to the previous number of not more than 2 billion new H shares. The amount of gross proceeds to be raised from the proposed H share issue after adjustments was expected to be not more than RMB2.3 billion. Taking into account the fact that the reporting work in respect of the proposed H share issue has been affected by the original power station projects due to their complex examination and approval procedures, the proceeds to be raised from the proposed H share issue will no longer be used in Shenmu-Caijing 50MWp Grid-connected Photovoltaic Power Station Project and Yangjiang 50MWp Surface Power Station Project as disclosed in the announcement of the Company dated 24 July 2017, but will be used in IRICO Yongneng 2GW Photovoltaic Modules Project instead.

As part of the proposed H share issue, the Company entered into the subscription agreements with each of Zhongdian IRICO and Yan'an Dingyuan on 24 July 2017. Pursuant to these subscription agreements, each of Zhongdian IRICO and Yan'an Dingyuan conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 900 million and 300 million new H shares at a consideration of RMB900 million and RMB300 million, respectively. The proposed subscription by Zhongdian IRICO constituted a connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. On 16 October 2017, the Company entered into the subscription agreement with Zhangjiagang Yuefeng Jinchuang Investment Co., Ltd.\* (張家港市悅豐金創投資有限公司) ("Zhangjiagang Investment"). Pursuant to such agreement, Zhangjiagang Investment conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 500 million new H shares at a consideration of RMB500 million. On 18 April 2018, the Company entered into the subscription agreement with Hefei Xincheng State-owned Assets Management Co., Ltd.\* (合肥鑫城國有資產經營有限公司) ("Hefei Xincheng"). Pursuant to such agreement, Hefei Xincheng conditionally agreed to subscribe in cash for, and the Company conditionally agreed to allot and issue, not more than 200 million new H shares at a consideration of RMB200 million.

The resolutions in relation to the proposed H share issue under a specific mandate will be put forward at the extraordinary general meeting and the H share class meeting, respectively, for the consideration and approval of the shareholders or the holders of H shares (as the case may be). The resolutions in relation to the proposed subscription by Zhongdian IRICO will be put forward at the extraordinary general meeting for the consideration and approval of the independent shareholders.

For details, please refer to the announcements of the Company dated 24 July 2017, 16 October 2017, 1 February 2018 and 18 April 2018.

## IV. CORPORATE PROFILE

### **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

### **Secretary to the Board**

Ni Huadong

### **Company Secretary**

Chu Xiaohang

### **Authorized Representatives**

Zou Changfu

Chu Xiaohang

**Legal address in the PRC**

No. 1 Caihong Road, Xianyang, Shaanxi Province  
The People's Republic of China  
Postal code: 712021

**Place of business in Hong Kong**

Suite 1908, 19/F  
9 Queen's Road Central  
Hong Kong

**Company website**

[www.irico.com.cn](http://www.irico.com.cn)

**Legal adviser**

*Baker & McKenzie*  
14th Floor, Hutchison House  
10, Harcourt Road, Hong Kong

**Auditor**

*WUYIGE Certified Public Accountants LLP*  
15/F, Xueyuan International Mansion, No.1 Zhichun Road,  
Haidian District, Beijing

**Registrar of H Shares in Hong Kong**

Computershare Hong Kong Investor Services Limited  
Rooms 1712–1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Hong Kong

**Investor and media relations**

Wonderful Sky Financial Group Limited  
9/F, The Center  
No. 99 Queen's Road Central  
Hong Kong

## INDEPENDENT REVIEW REPORT

Daxin Yue Zi [2018] No. 1-00018

### **TO THE SHAREHOLDERS OF IRICO GROUP NEW ENERGY COMPANY LIMITED,**

We have reviewed the accompanying financial statements of IRICO Group New Energy Company Limited (the “Company”), which comprise the consolidated balance sheet and the balance sheet of the Company as at 30 June 2018, the consolidated income statement and the income statement of the Company from January to June 2018, the consolidated statement of cash flows and the statement of cash flows of the Company, and the consolidated statement of changes in equity and the statement of changes in equity of the Company from January to June 2018 as well as the notes to the financial statements. The management of the Company is responsible for the preparation of the financial statements. Our responsibility is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with Standard on Review Engagements for CPAs of China No. 2101 – Engagements to Review Financial Statements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is substantially less in scope than an audit conducted 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. We have not performed an audit and, accordingly, we do not express any audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises, and cannot present fairly, in all material respects, the Company’s financial positions on consolidated and the Company-alone basis as at 30 June 2018, the operating performance and cash flows from January to June 2018.



We draw your attention to Note 2 to the financial statements. The Company recorded net current liabilities of RMB1,861.53 million in the financial statements as at 30 June 2018. Although the Company has fully disclosed its improvement measures to be taken in “Note 2” and “Note 12 (3)” to the financial statements, there still exists some uncertainties relating to its ability to continue as a going concern.

WUYIGE Certified Public  
Accountants LLP

PRC Certified Public Accountant:

Beijing, the PRC

PRC Certified Public Accountant:

22 August 2018

**BALANCE SHEET***As at 30 June 2018*

<b>Item</b>	<b>Closing Balance</b>	Opening Balance
<b>Current Assets:</b>		
Cash at bank and on hand	<b>327,386,114.24</b>	491,507,931.96
Held-for-trading financial assets	<b>991,157.72</b>	
Derivative financial assets		
Bills and accounts receivables	<b>1,119,598,712.95</b>	942,966,856.48
Prepayments	<b>102,735,775.14</b>	198,778,715.79
Other receivables	<b>211,189,111.41</b>	53,949,968.87
Inventories	<b>118,112,240.36</b>	191,165,827.81
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	<b>108,626,805.87</b>	75,671,306.26
<b>Total current assets</b>	<b>1,988,639,917.69</b>	1,954,040,607.17
<b>Non-current assets:</b>		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	<b>180,640,441.23</b>	54,160,965.99
Other investments in equity instruments	<b>352,768,509.19</b>	364,442,481.28
Other non-current financial assets		

**BALANCE SHEET (CONTINUED)***As at 30 June 2018*

<b>Item</b>	<b>Closing Balance</b>	Opening Balance
<b>Investment properties</b>		10,961,164.31
Fixed assets	<b>799,775,084.68</b>	819,662,248.83
Construction in progress	<b>1,396,990,062.31</b>	941,639,097.86
Productive biological assets		
Oil and gas assets		
Intangible assets	<b>269,124,059.78</b>	232,365,319.19
Development expenditures		
Goodwill	<b>41,533,010.55</b>	41,533,010.55
Long-term deferred expenses	<b>13,715,730.57</b>	6,722,661.07
Deferred tax assets	<b>502,525.08</b>	588,775.47
Other non-current assets	<b>3,140,102.54</b>	170,490,405.25
<b>Total non-current assets</b>	<b><u>3,058,189,525.93</u></b>	<b><u>2,642,566,129.80</u></b>
<b>Total assets</b>	<b><u>5,046,829,443.62</u></b>	<b><u>4,596,606,736.97</u></b>

**BALANCE SHEET (CONTINUED)***As at 30 June 2018*

Item	Closing Balance	Opening Balance
<b>Current liabilities:</b>		
Short-term borrowings	<b>346,087,681.00</b>	557,298,613.98
Held-for-trading financial liabilities		
Derivative financial liabilities		
Bills and accounts payables	<b>1,472,933,654.70</b>	1,314,986,109.96
Receipts in advance	<b>61,403,505.33</b>	164,982,905.40
Contract liabilities		
Employee benefits payable	<b>59,053,780.38</b>	76,411,356.89
Taxes payable	<b>23,344,321.66</b>	16,413,033.69
Other payables	<b>1,685,416,852.08</b>	1,513,954,011.83
Held-for-sale liabilities		
Non-current liabilities due within one year	<b>201,928,531.16</b>	222,729,511.26
Other current liabilities		
<b>Total current liabilities</b>	<b>3,850,168,326.31</b>	3,866,775,543.01

**BALANCE SHEET (CONTINUED)***As at 30 June 2018*

Item	Closing Balance	Opening Balance
<b>Non-current liabilities:</b>		
Long-term borrowings	<b>657,775,532.31</b>	395,398,700.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables	<b>7,000,000.00</b>	7,000,000.00
Estimated liabilities		3,809,262.97
Deferred income	<b>80,162,245.59</b>	81,475,121.13
Deferred tax liabilities	<b>615,762.33</b>	559,280.19
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>745,553,540.23</b>	488,242,364.29
<b>Total Liabilities</b>	<b>4,595,721,866.54</b>	4,355,017,907.30

**BALANCE SHEET (CONTINUED)***As at 30 June 2018*

<b>Item</b>	<b>Closing Balance</b>	Opening Balance
<b>Shareholders' equity:</b>		
Share capital	<b>2,232,349,400.00</b>	2,232,349,400.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	<b>943,531,444.10</b>	943,531,444.10
Less: Treasury shares		
Other comprehensive income	<b>-130,138,981.79</b>	-118,488,713.46
Surplus reserve	<b>22,477,267.06</b>	22,477,267.06
Undistributed profit	<b>-2,751,303,056.27</b>	-2,953,332,667.89
<b>Total equity attributable to equity shareholders of the Company</b>	<b><u>316,916,073.10</u></b>	<u>126,536,729.81</u>
Minority interests	<b><u>134,191,503.98</u></b>	<u>115,052,099.86</u>
<b>Total equity</b>	<b><u><u>451,107,577.08</u></u></b>	<b><u><u>241,588,829.67</u></u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u><u>5,046,829,443.62</u></u></b>	<b><u><u>4,596,606,736.97</u></u></b>

**INCOME STATEMENT***January – June 2018*

<b>Item</b>	<b>January–June 2018</b>	January–June 2017
<b>I. Operating revenue</b>	<b>1,167,280,933.43</b>	1,066,211,643.89
Including: Principal operating revenue	<b>1,148,086,553.01</b>	989,693,124.57
Other operating revenue	<b>19,194,380.42</b>	76,518,519.32
Less: Operating costs	<b>968,554,023.30</b>	958,219,809.30
Including: Principal operating costs	<b>962,808,239.96</b>	892,579,813.73
Other operating costs	<b>5,745,783.34</b>	65,639,995.57
Taxes and surcharges	<b>7,772,875.14</b>	5,997,146.88
Selling expenses	<b>37,179,655.38</b>	43,285,242.93
Administrative expenses	<b>50,015,508.60</b>	47,438,210.78
Research and development expenses	<b>18,331,534.54</b>	3,456,302.65
Finance costs	<b>33,871,559.16</b>	30,974,368.79
Including: Interest expense	<b>39,498,006.12</b>	33,258,484.42
Interest income	<b>782,621.13</b>	1,979,518.17
Impairment losses on assets	<b>695,722.81</b>	3,457,559.16
Credit impairment losses		
Add: Other income	<b>30,932,680.64</b>	19,580,593.47
Investment income (loss is represented by “-”)	<b>144,260,020.58</b>	11,373,806.91
Including: Gains from investment in associates and joint ventures	<b>-230,771.66</b>	-13,383,525.65
Gains from net exposure hedges (loss is represented by “-”)		
Gains from changes in fair value (loss is represented by “-”)	<b>215,036.56</b>	
Gains from disposal of assets (loss is represented by “-”)		-509,510.28



**INCOME STATEMENT (CONTINUED)***January – June 2018*

<b>Item</b>	<b>January–June 2018</b>	January–June 2017
<b>II. Operating profit (loss is represented by “-”)</b>	<b>226,267,792.28</b>	3,827,893.50
Add: Non-operating income	<b>97,298.86</b>	34,307,045.56
Less: Non-operating expenses	<b>87,857.45</b>	2,598,907.22
<b>III. Total profit (total loss is represented by “-”)</b>	<b>226,277,233.69</b>	35,536,031.84
Less: Income tax expenses	<b>5,108,217.96</b>	3,285,058.32
<b>IV. Net profit (net loss is represented by “-”)</b>	<b>221,169,015.73</b>	32,250,973.52
(I) Classified by continuity of operations:		
1. Net profit from continuing operations (net loss is represented by “-”)	<b>221,169,015.73</b>	32,250,973.52
2. Net profit from discontinued operations (net loss is represented by “-”)		
(II) Classified by ownership of equity:		
1. Net profit attributable to the shareholders of the Company (net loss is represented by “-”)	<b>202,029,611.62</b>	29,643,949.54
2. Minority interests (net loss is represented by “-”)	<b>19,139,404.11</b>	2,607,023.98

**INCOME STATEMENT (CONTINUED)***January – June 2018*

Item	January–June 2018	January–June 2017
<b>V. Other comprehensive income, net of tax</b>	<b>-11,650,268.33</b>	-40,584,133.10
Other comprehensive income (net of tax) attributable to the shareholders of the Company	<b>-11,650,268.33</b>	-40,584,133.10
(I) Other comprehensive income that cannot be reclassified to profit or loss	<b>-11,673,972.09</b>	-37,851,970.11
1. Re-measurement of changes in defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profit or loss under equity method	<b>-11,673,972.09</b>	-37,851,970.11
(II) Other comprehensive income that will be reclassified to profit or loss	<b>23,703.76</b>	-2,732,162.99
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Gain or loss from change in fair value of available-for-sale financial assets		
3. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
4. Effective portion of gain or loss from cash flow hedges		

**INCOME STATEMENT (CONTINUED)***January – June 2018*

<b>Item</b>	<b>January–June 2018</b>	January–June 2017
5. Exchange differences from translation of foreign currency financial statements	<b>23,703.76</b>	-2,732,162.99
6. Others		
Other comprehensive income (net of tax) attributable to minority shareholders		
<b>VI. Total comprehensive income</b>	<b>209,518,747.40</b>	-8,333,159.58
Total comprehensive income attributable to the shareholders of the Company	<b>190,379,343.29</b>	-10,940,183.56
Total comprehensive income attributable to minority shareholders	<b>19,139,404.11</b>	2,607,023.98
<b>VII. Earnings per share</b>		
(I) Basic earnings per share	<b>0.09</b>	0.013
(II) Diluted earnings per share		

**STATEMENT OF CASH FLOWS***January – June 2018*

<b>Item</b>	<b>January–June 2018</b>	January–June 2017
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods or rendering of services	<b>808,501,393.07</b>	574,419,027.43
Receipts of tax refunds	<b>21,861,566.35</b>	2,542,074.78
Cash received relating to other operating activities	<b>19,515,416.57</b>	171,081,920.93
Sub-total of cash inflows from operating activities	<b>849,878,375.99</b>	748,043,023.14
Cash paid for purchasing goods and receiving services	<b>469,675,049.17</b>	680,381,496.84
Cash paid to and for employees	<b>98,619,720.35</b>	115,269,049.66
Cash paid for taxes and surcharges	<b>24,065,639.70</b>	25,362,325.97
Cash paid relating to other operating activities	<b>225,198,124.83</b>	109,334,178.27
Sub-total of cash outflows from operating activities	<b>817,558,534.05</b>	930,347,050.74
Net cash flows from operating activities	<b>32,319,841.94</b>	-182,304,027.60

**STATEMENT OF CASH FLOWS (CONTINUED)***January – June 2018*

<b>Item</b>	<b>January–June 2018</b>	January–June 2017
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments	<b>23,497,602.29</b>	6,000,000.00
Cash received from returns on investments	<b>358,472.03</b>	1,937,750.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		25,400.00
Net cash received from disposal of subsidiaries and other business entities		-335,284.97
Cash received from other investing activities	<b>499,873.32</b>	417,000.00
Sub-total of cash inflows from investing activities	<b>24,355,947.64</b>	8,044,865.03
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	<b>177,942,542.60</b>	140,837,766.18
Cash paid for investment		69,760,900.00
Net cash paid for acquisition of subsidiaries and other business entities		-17,067,099.75
Cash paid relating to other investing activities	<b>38,148,339.86</b>	
Sub-total of cash outflows from investing activities	<b>216,090,882.46</b>	193,531,566.43
Net cash flows from investing activities	<b>-191,734,934.82</b>	-185,486,701.40

**STATEMENT OF CASH FLOWS (CONTINUED)***January – June 2018*

<b>Item</b>	<b>January–June 2018</b>	January–June 2017
<b>III. Cash flows from financing activities:</b>		
Cash received from absorbing investments		
Including: Cash received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	<b>602,708,981.00</b>	333,816,827.58
Cash received relating to other financing activities	<b>30,390,047.21</b>	66,280,000.00
Sub-total of cash inflows from financing activities	<b>633,099,028.21</b>	400,096,827.58
Cash paid for repayment of borrowings	<b>541,768,581.67</b>	143,800,000.00
Cash paid for distribution of dividends and profits or for interest expenses	<b>53,704,809.60</b>	40,872,743.26

**STATEMENT OF CASH FLOWS (CONTINUED)***January – June 2018*

<b>Item</b>	<b>January–June 2018</b>	January–June 2017
Including: Dividends or profits paid to minority shareholders by subsidiaries		
Cash paid relating to other financing activities	<b>19,339,400.00</b>	138,723,438.40
Sub-total of cash outflows from financing activities	<b>614,812,791.27</b>	323,396,181.66
Net cash flows from financing activities	<b>18,286,236.94</b>	76,700,645.92
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>	<b>518,380.29</b>	-86,511.52
<b>V. Net increase in cash and cash equivalents</b>	<b>-140,610,475.65</b>	-291,176,594.60
Add: Cash and cash equivalents at the beginning of the period	<b>233,413,663.85</b>	378,233,625.43
<b>VI. Cash and cash equivalents at the end of the period</b>	<b>92,803,188.20</b>	87,057,030.83





## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

January – June 2018

Items	Equity attributable to the shareholders of the Company						Sub-total	Minority interests	Total shareholders' equity
	Share capital	Other equity instruments	Capital reserve	comprehensive income	Surplus reserve	Undistributed profit			
(III) Profit distribution									
1. Appropriations of surplus reserve									
2. Distribution to shareholders									
3. Other									
(IV) Transfer of shareholders' equity									
1. Transfer to share capital from capital reserve									
2. Transfer to share capital from surplus reserve									
3. Surplus reserves for making up losses									
4. Changes in defined benefit plans transferred to retained earnings									
5. Other comprehensive income transferred to retained earnings									
6. Others									
<b>IV. Closing balance for the period</b>	<b>2,222,349,400.00</b>	<b>943,531,444.10</b>	<b>-130,138,981.79</b>	<b>22,477,287.06</b>	<b>-2,751,303,056.27</b>	<b>316,916,073.10</b>	<b>134,191,503.98</b>	<b>451,107,577.08</b>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### I. COMPANY PROFILE

**(I) *Place of registration, type of organization and address of headquarter.***

IRICO Group New Energy Company Limited\* (the “Company”), the former IRICO Group Electronics Company Limited, was established upon approval as a joint stock company (listed) and obtained the business license from the Administration for Industry and Commerce on 10 September 2004. The place of registration was the courtyard at No. 1 Caihong Road, Qingdu District, Xianyang, Shaanxi Province; the registered capital was RMB2,232,349,400; its legal representative was Zou Changfu; its address of headquarters was the courtyard at No. 1 Caihong Road, Qingdu District, Xianyang, Shaanxi Province.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### I. COMPANY PROFILE (CONTINUED)

**(II) *The business nature of the Company and its main business activities.***

Business scope of the Company mainly comprises: the construction and operation of solar power plants; research, development, production and sales of solar photovoltaic glass, tempered glass, coated glass, conductive film glass, and flat glass; research, development, production and sales of solar cell chip, solar cell module and their auxiliary products as well as silicon materials; solar photovoltaic power generation related business and research, development, production and sales of energy storage battery, inverter, smart power grids form home appliances, etc.; processing and further processing of quartz sand, an upstream material for solar photovoltaic glass; research, development, production and sales of power battery, cathode and anode materials of lithium battery, and upstream materials of lithium battery materials; research, development, manufacturing and sales of flat panel displays and auxiliary products and materials, electronic products; self-operated and commissioned import business for various commodities and technologies; research, development, manufacturing and sale of information technology, industrial control systems and their fullset equipment; operation of processing imported goods and “Three-plus-one” business (i.e. processing and compensation trade); foreign trade and entrepot trade; research, development, manufacturing and sales of computer software and hardware, chemical products, information technology, industrial control systems and its devices; processing and repairing machinery; development of, training and consultation on electronic information technology; acquisition, processing and utilization of waste materials, sales of accumulated materials; development, research, production and sales of new materials and high-tech products; medical and rehabilitation services, elderly care and healthcare services.

The Company is mainly engaged in solar photovoltaic business, new materials business, trading business and others.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### I. COMPANY PROFILE (CONTINUED)

**(III) The financial statements have been reported after approval by the Company.**

**(IV) Scope of the consolidated financial statements for the year.**

The consolidation scope of consolidated financial statements of the Company is determined on the basis of control and covers the financial statements of the Company and all of its subsidiaries.

During the Reporting Period, subsidiaries included in the scope of consolidation are set out as below:

No.	Name	Short name	Level
1	Shaanxi IRICO New Material Co., Ltd*	Shaanxi New Material	2
2	Hanzhong IRICO Jiarunze Mining Co., Ltd* (漢中彩虹佳潤澤礦業有限公司)	Hanzhong Jiarunze	2
3	IRICO (Hefei) Photovoltaic Co., Ltd.*	Hefei Photovoltaic	2
4	IRICO Group Electronics (Hong Kong) Company Limited	Electronics Hong Kong	2
5	Xianyang IRICO Green Energy Co., Ltd.* (咸陽彩虹綠色能源有限公司)	Green Energy	2
6	Nanjing IRICO New Energy Co., Ltd.* (南京彩虹新能源有限公司)	Nanjing New Energy	3
7	IRICO Yan'an New Energy Co., Ltd.* (彩虹(延安)新能源有限公司)	Yan'an New Energy	2
8	Jiangsu IRICO Yongneng New Energy Company Limited*	Jiangsu Yongneng	2
9	Shaanxi IRICO Xinneng Glass Co., Ltd.* (陝西彩虹新能玻璃有限公司)	Xinneng Glass	2

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

- (I) Basis of preparation: The financial statements of the Company have been prepared on a going concern basis in respect of actual transactions and matters, in accordance with the Accounting Standards for Business Enterprises-Basic Standards and specific accounting standards (together referred to as the “Accounting Standards for Business Enterprises”) promulgated by the Ministry of Finance of the People’s Republic of China, and based on the following significant accounting policies and estimates.
- (II) Going concern: During the period from January to June 2018, the Company achieved consistent increase in production capacity of the production lines, new heights in respect of the proportion of qualified products, significant reduction of production cost, remarkable improvement in production efficiency and steady progress of project construction, technological innovation and enhancement of quality and efficiency. Meanwhile, the Company obtained gains on investment of RMB144.15 million from the transfer of 51% equity interests in Zhuhai Caizhu. From January to June, the Company recorded total profit of RMB226.28 million in aggregate. As shown on the financial statements of the Company as at 30 June 2018, the Company recorded accumulated losses of RMB2,751.30 million, with a gearing ratio of 91.06%, and its net current liabilities amounted to RMB1,861,530,000, indicating that the Company would be under heavy debt repayment pressure in the short term.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

#### (II) *(Continued)*

While preparing the financial statements for the year, the Board had conducted a detailed and thorough review of the Company's going-concern ability with reference to the current operational and financial situation of the Company, put forward the improvement measures as disclosed at note XII(III) and obtained a financial support commitment letter from IRICO Group, the controlling shareholder of the Company. Based on the above, the management was of the view that the Company would be able to generate expected benefits from its business transformation and obtain sufficient funding required for ensuring its production and operating activities, repaying debts as they fall due and financing capital expenditures.

In view of the foregoing, the Board has no intention to wind up or close the Company and it is confident that the Company will not be forced to enter winding-up or dissolution proceedings in the next accounting period. Therefore, the Company believes that the financial statements for this year shall still be prepared on a going concern basis in respect of actual transactions and matters in accordance with the Accounting Standards for Business Enterprises and relevant requirements promulgated by the Ministry of Finance, and based on the significant accounting policies and estimates set out in Note III headed "Significant Accounting Policies and Accounting Estimates".



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### **(I) *Statement on compliance with the Accounting Standards for Business Enterprises***

The financial statements of the Company have been prepared in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, reflecting the Company's financial position as at 30 June 2018, and operating results, cash flows and other relevant information for the period from January to June of 2018 on a true and complete basis.

#### **(II) *Accounting period***

Accounting year of the Company is the calendar year from 1 January to 31 December.

#### **(III) *Operating cycle***

The Company takes one year or 12 months as its normal operating cycle which serves as the division standard for the liquidity of assets and liabilities.

#### **(IV) *Functional currency***

The functional currency of the Group is Renminbi (RMB).

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### (V) *Business combinations*

##### 1. *Business combinations under common control*

In case the consideration for the long-term equity investments resulted from the business combination under common control is paid by way of cash, transfer of non-cash assets or assumption of debts, the Company will, on the date of combination, recognise the acquiree's share in the carrying amount of net assets in the ultimate controlling party's consolidated financial statements being absorbed as initial investment cost of long-term equity investments. In case the acquirer pays the combination consideration by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### (V) *Business combinations (Continued)*

##### 2. *Business combinations not under common control*

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Where identifiable assets, liabilities and contingent liabilities of the acquiree resulting from the business combination not under common control satisfy the conditions for recognition, they shall be measured at fair values on the acquisition date. Any excess of combination cost over the share of fair value of identifiable net assets in the acquiree as a result of the combination will be recognised as goodwill. Where the combination cost is less than the share of fair value of identifiable net assets of the acquiree as a result of the combination, the difference shall be recognised as non-operating income for the current period after reassessment.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(VI) Preparation method of consolidated financial statements**

##### *1. Scope of consolidated financial statements*

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

##### *2. Adoption of uniform accounting policies, date of balance sheets and accounting period for parent company and subsidiaries*

When preparing consolidated financial statements, in case the accounting policies or accounting periods of the subsidiaries differ from those of the Company, necessary adjustments will be made to the financial statements of the subsidiaries based on the accounting policies or accounting periods of the Company.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### (VI) *Preparation method of consolidated financial statements (Continued)*

##### 3. *Offsetting in consolidated financial statements*

The consolidated financial statements shall be prepared on the basis of the balance sheets of the parent company and subsidiaries, which offset the internal transactions incurred between the parent company and subsidiaries and between subsidiaries. The owners' equity of the subsidiaries not attributable to the parent company shall be presented as "minority interests" under the owners' equity item in the consolidated balance sheet. The long-term equity investment in the parent company held by the subsidiaries is deemed as treasury stock of the corporate group and a reduction of owners' equity, which shall be presented as "Less: treasury shares" under the owners' equity in the consolidated balance sheet.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(VI) Preparation method of consolidated financial statements (Continued)**

#### *4. Accounting treatment of subsidiaries acquired from combination*

For subsidiaries acquired from business combination under common control, the business combination is deemed to have occurred at the commencement of control by the ultimate controlling party. The assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the period in which the combination takes place. For subsidiaries acquired from business combination not under common control, when preparing the consolidated financial statements, adjustments are made to individual financial statements of the subsidiaries based on the fair value of identifiable net assets as at the acquisition date.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(VII) Classification of joint arrangements and accounting treatment for joint operations***

##### *1. Classification of joint arrangements*

Joint arrangements are divided into joint operations and joint ventures. Joint arrangements established not through separate entities are classified as joint operations. Separate entities refer to the entities with separate and distinguishable financial structure, including separate legal entities and legally recognised entities without the qualification of legal entity. Joint arrangements established through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties under a joint arrangement due to changes in relevant facts and circumstances, the parties will reassess the classification of joint arrangements.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(VII) Classification of joint arrangements and accounting treatment for joint operations (Continued)***

##### *2. Accounting treatment for joint operations*

The Company as a party of joint operation should recognise the following items in relation to its share of interests in the joint operation, and proceed with accounting treatment in accordance with the relevant requirements under the Accounting Standards for Business Enterprises: the assets or liabilities separately held, and assets or liabilities jointly held according to its share; the income from the disposal of its share of output under the joint operation; the income from the disposal of output under joint operation according to its share; the expenses incurred separately and the expenses incurred under the joint operation according to its share.

In case the Company is a party of a joint operation not sharing common control, if it is entitled to relevant assets and undertakes relevant liabilities of the joint operation, accounting treatment will be carried out with reference to the provisions applicable to the parties of joint operation; otherwise, it should be subject to relevant requirements under the Accounting Standards for Business Enterprises.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(VII) Classification of joint arrangements and accounting treatment for joint operations (Continued)***

##### *3. Accounting treatment for joint ventures*

The Company as a party sharing common control should perform accounting for its investment in the joint venture in accordance with the requirements under the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments. If the Company is a party not sharing common control, it should carry out accounting for its investment in the joint venture with reference to its influence on the joint venture.

#### ***(VIII) Recognition standard for cash and cash equivalents***

Cash determined in the preparation of statement of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statement of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of price volatility.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(IX) Translation of foreign currency transactions and financial statements denominated in foreign currency**

##### *1. Translation of foreign currency transactions*

Foreign currency transactions of the Company are translated into and recorded in the functional currency at spot rate on the transaction date. At the balance sheet date, monetary items denominated in foreign currency are translated using the spot exchange rate on that date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used at initial recognition or on the last balance sheet date shall be recorded into profit or loss for the current period, except for those arising from specific borrowings denominated in foreign currency and qualified for capitalisation, which are capitalised as cost of the related assets during the capitalisation period. Translation of non-monetary items denominated in foreign currency and measured at historical cost shall continue to be based on the spot exchange rate on the date of transaction, without changing the amount in its functional currency. Non-monetary items denominated in foreign currency and measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. Upon translation, the difference between the amounts in functional currency upon translation and in original functional currency shall be treated as change in fair value (including the change in the exchange rate), and included in profit or loss for the current period or recognised as other comprehensive income.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(IX) Translation of foreign currency transactions and financial statements denominated in foreign currency (Continued)**

##### *2. Translation of financial statements denominated in foreign currency*

If the functional currency of the subsidiaries, joint ventures and associates of the Company are different from that of the Company, their financial statements denominated in foreign currency shall be translated before performing accounting and preparing the consolidated financial statements. The assets and liabilities in the balance sheets are translated at the spot exchange rates on the balance sheet date. Except for “Retained earnings”, all items under owner’s equity are translated at the spot exchange rates when incurred. The income and expenses items in the income statement are translated at the spot exchange rates on the transaction dates. The exchange differences arising from the translation of financial statements denominated in foreign currencies are recognised as other comprehensive income under the owners’ equity in the balance sheet. The cash flow denominated in foreign currency shall be translated at the spot exchange rate on the date on which the cash flow is incurred. The effect of exchange rate movement on cash shall be presented separately in the statement of cash flows. On disposal of foreign operations, exchange differences in financial statements denominated in foreign currencies related to the foreign operation shall be transferred to profit or loss from disposal for the current period in whole or in a proportionate share.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments**

##### *1. Classification and reclassification of financial instruments*

Financial instruments are classified as financial assets or financial liabilities and equity instruments. A financial asset, a financial liability or an equity instrument is recognised when the Company becomes a contractual party to a financial instrument.

When the objective of the business model of the financial assets under the management of the Company is to collect contractual cash flows and according to the terms of the contract of the financial assets, the cash flows generated on a particular date is solely for the payment of interest based on the principal and interest on the principal outstanding, the Company classifies them as financial assets at amortised cost.

When the objective of the business model of the financial assets under the management of the Company is to collect contractual cash flows and sell the financial assets and according to the terms of the contract of the financial assets, the cash flows generated on a particular date is solely for the payment of interest based on the principal and interest on the principal outstanding, the Company classifies them as financial assets at fair value through other comprehensive income. For an investment in equity instruments not held for trading purposes, on initial recognition the Company can irrevocably designate the investment as financial assets at fair value through other comprehensive income. Such designations are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

1. *Classification and reclassification of financial instruments (Continued)*

For other financial assets other than financial assets at amortised cost and financial assets at fair value through other comprehensive income, the Company classifies them as financial assets at fair value through current profit or loss.

Unless the Company changes its business model for the management of financial assets, in which case all relevant financial assets affected are reclassified on the first day of the first reporting period following the change in business model, Otherwise than that, financial assets may not be reclassified after initial recognition.

Upon initial recognition, financial liabilities are classified into: financial liabilities at fair value through current profit or loss; financial liabilities from the transfer of financial assets disqualified for the derecognition of financial assets or continuing involvement in the transferred financial assets and financial liabilities at amortised cost. None of the financial liabilities may be reclassified.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

#### *2. Measurement of financial instruments*

Financial instruments of the Company are measured at fair value upon initial recognition. Subsequent measurement of financial instruments depends on their classification.

#### (1) Financial assets

- ① Financial assets measured at amortised costs

Upon initial recognition, such financial assets are measured at amortized cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and that are not a part of any swap arrangements, when derecognized, amortised at effective rates or impaired, are recognised in the profit or loss for the current period.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

#### 2. Measurement of financial instruments (Continued)

##### (1) Financial assets (Continued)

- ② Financial assets at fair value through current profit or loss

Upon initial recognition, such financial assets are measured at fair value. Except for those held for hedging purposes, gains or losses (including interests and dividend income) arising from such financial assets are recognised in the profit or loss for the current period.

- ③ Debt investments at fair value through other comprehensive income

Upon initial recognition, such financial assets are measured subsequently at fair value. The interests, impairment losses or gains and exchange losses or gains calculated using the effective interest rate method shall be recognized in the profit and loss for the current period, other gains or losses shall be recognized in other comprehensive income. Upon termination of recognition, the accumulated gains or losses previously recorded in other comprehensive income shall be transferred to the profit and loss for the current period.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

##### 2. Measurement of financial instruments (Continued)

##### (1) Financial assets (Continued)

- ④ Investments in equity instruments at fair value through other comprehensive income

Upon initial recognition, such financial assets are measured subsequently at fair value. Dividend incomes are recognized in profit and loss, other gains or losses shall be recognized in other comprehensive income. Upon termination of recognition, the accumulated gains or losses previously recorded in other comprehensive income shall be transferred to retained earnings.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

#### 2. Measurement of financial instruments (Continued)

#### (2) Financial liabilities

- ① Financial liabilities at fair value through current profit or loss

Such financial liabilities consist of held-for-trading financial liabilities (including derivative financial liabilities) and financial liabilities designated as at fair value through current profit or loss. Upon initial recognition, such financial liabilities are measured at fair value. Except for those held for hedging purposes, gains or losses (including interests) arising from such financial liabilities are recognised in the profit or loss for the current period.

- ② Financial liabilities measured at amortised costs

Upon initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

3. *Recognition of fair values of financial instruments by the Company*

For financial instruments with an active market, their fair values shall be determined based on their quotations in the active market. Where there is no active market for a financial instrument, the fair value shall be determined using valuation techniques, which mainly include the market approach, income approach and cost approach.

4. *Basis of recognition and methods of measurement for transfer of financial assets and financial liabilities*

When the Company has transferred nearly all of the risks and rewards related to the ownership of a financial asset, it shall derecognize the financial asset and the rights and obligations arising from or retained in the transfer shall be individually recognized as assets or liabilities. When the Company has retained nearly all of the risks and rewards related to the ownership of a financial asset, it shall continue to recognize the financial asset. When the Company neither transferred nor retained nearly all of the risks and rewards related to the ownership of a financial asset, it shall handle it in the following circumstances based on whether it retained the control over the financial asset:

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

4. *Basis of recognition and methods of measurement for transfer of financial assets and financial liabilities (Continued)*

- (1) Where the Company did not retain the control over the financial asset, it shall derecognize the financial asset and the rights and obligations arising from or retained in the transfer shall be individually recognized as assets or liabilities.
- (2) Where the Company retained the control over the financial asset, it shall continue to recognize relevant financial asset based on the extent of continuing involvement in the transferred financial asset and recognize relevant liabilities. The extent of continuing involvement in the transferred financial asset refers to the extent of risks and rewards on the changes of the value of the transferred financial asset undertaken by the Company.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

#### 4. *Basis of recognition and methods of measurement for transfer of financial assets and financial liabilities (Continued)*

##### (2) (Continued)

When the criteria for derecognition of a financial asset are met, the difference between the carrying amount of the financial asset transferred on the derecognition date and the sum of the consideration received from the transfer and the amount of the corresponding derecognized part in the accumulated changes in fair value previously recorded directly in other comprehensive income is recorded in profit or loss for the current period. If the Company transferred only part of the financial asset and the transferred part satisfies the criteria for derecognition, the entire carrying amount of the financial asset transferred shall be proportionally amortised between the derecognised portion and the retained portion according to their respective relative fair value on the transfer date. The difference between the amount so amortised and the sum of the carrying amount of the derecognized part on the derecognition date, the consideration received for the derecognized part and the amount of the corresponding derecognised part in the accumulated amount of the changes in fair value originally included in other comprehensive income, shall be included in profit or loss for the current period.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

4. *Basis of recognition and methods of measurement for transfer of financial assets and financial liabilities (Continued)*

(2) (Continued)

When all or part of the current obligation to a financial liability has been terminated, the entire financial liabilities or the terminated part of the obligation shall be derecognised by the Company.

5. *Impairment of financial assets*

Based on expected credit losses, the Company conducts impairment accounting treatment for and recognizes impairment losses of financial assets at amortised cost, debt investments at fair value through other comprehensive income, lease receivables and contract assets.

The Company measures expected credit losses based on the weighted average chances.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

##### 5. *Impairment of financial assets (Continued)*

For financial assets with credit losses purchased or derived, the Company only recognizes the total changes in the overdue credit losses during the whole duration period after initial recognition as loss provisions on the balance sheet date. For financial assets with credit losses not purchased or derived and financial instruments for accounts receivable and contract assets, the Company generally measures their loss provisions with an amount equivalent to the expected credit loss of such financial instruments in the following 12 months, unless the credit risks of such financial instruments increased significantly after initial recognition. Under such circumstance, its loss provisions are measured at the amount of the expected credit loss during the whole duration period of such financial instruments.

For accounts receivable and contract assets, the Company always measures their loss provisions for the expected credit losses during the whole duration period.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(X) Financial instruments (Continued)**

##### 5. *Impairment of financial assets (Continued)*

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Company re-measures the expected credit losses on each balance sheet date, and the resulting increase or reversal in loss provision shall be included in the profit or loss for the current period as impairment losses or gains. For financial assets measured at amortised costs, the loss provision shall be deducted from the carrying amounts of the financial assets on the balance sheet. For debt investments at fair value through other comprehensive income, the related loss provisions are recognized in other comprehensive income by the Company, and no deduction would be made on the carrying amounts of such financial assets on the balance sheet.

#### **(XI) Inventories**

##### 1. *Classification*

Inventories mean finished goods or merchandise held for sale in the ordinary course of business of the Company, unfinished products in the process of production, materials or supplies used in the process of production or rendering of services. Inventories mainly include raw materials, goods in stock (finished goods), goods in transit, self-made semi-finished goods, work-in-progress, revolving materials and others.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(XI) Inventories (Continued)**

2. *Measurement for inventories delivered*

Upon delivery of inventories, the actual cost of such inventories will be determined using the weighted average method.

3. *Provision for impairment*

On the balance sheet date, inventories are measured at the lower of cost and net realisable value. The provision for impairment of inventories is made on an item-by-item basis. The provision of impairment for inventories with large quantity and of low unit cost is made according to their inventory classification.

4. *Inventory system*

The Company adopts perpetual inventory system.

5. *Amortisation of low-value consumables and packaging materials*

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XII) Long-term equity investments*

##### 1. *Determination of initial investment cost*

For a long-term equity investment obtained from business combination under common control, the acquiree's share of the carrying amount of the net assets as shown on the combined financial statements of the ultimate controlling party on the date of the combination is recognised as the initial investment cost of the long-term equity investment; for a long-term equity investment obtained from business combination not under common control, the combination cost is recognised as the initial investment cost of the long-term equity investment; for a long-term equity investment acquired by payment of cash, the initial investment cost shall be the actual purchase price paid; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued; for a long-term equity investment acquired from debt restructuring, the initial investment cost is recognised according to relevant requirements under the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring; for a long-term equity investment acquired from exchange of non-monetary assets, the initial investment cost is recognized according to the relevant requirements under the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XII) Long-term equity investments (Continued)***

#### *2. Subsequent measurement and recognition of profit and loss*

Where the Company has a control over an investee, the long-term equity investment in such investee is measured using cost approach. Long-term equity investments in associates and joint ventures are measured using equity approach. Where part of the equity investments of the Company in its associates are held indirectly through venture investment institutions, common funds, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the Company shall be measured at fair value through profit or loss according to the relevant requirements of the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, regardless whether the above entities have significant influence on such part of equity investments, and the remaining shall be measured using equity approach.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XII) Long-term equity investments (Continued)***

3. *Basis of conclusion for common control and significant influence over the investee*

Joint control over an investee refers to the situation where activities that have significant influence on the return of certain arrangement can only be decided by unanimous consent of the parties sharing the control, which include sale and purchase of goods or services, management of financial assets, acquisition and disposal of assets, research and development activities and financing activities; significant influence on the investee refers to the situation where significant influence exists when holding more than 20% but less than 50% of voting capital, or even if holding less than 20%, significant influence still exists when any of the following conditions is satisfied: having representative at the board of directors or similar governing body of the investee; participating in the policy making of the investee; assigning key management officers to the investee; the investee relying on the technology or technical information of the investing company; conducting major transactions with the investee.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XIII) Investment properties*

Investment properties of the Company include leased land-use rights, leased buildings and land-use rights held for resale after appreciation in value. Investment properties are initially measured at cost and subsequently measured using the cost approach.

Among investment properties of the Company, the depreciation for leased buildings is provided using the straight-line method and the specific measurement policy applied is the same as that applied to fixed assets; land use rights leased out and land use rights held for resale after appreciation are amortized using the straight-line method, and the specific measurement policy applied is the same as that applied to intangible assets.

#### *(XIV) Fixed assets*

##### *1. Conditions for recognition of fixed assets*

Fixed assets are tangible assets that are held for use more than a useful life of one accounting year in the production or supply of goods or services, for rental to others, or for operation purpose. A fixed asset is recognised when it meets the following conditions: it is probable that the economic benefits associated with the fixed asset will flow into the Company; and its cost can be reliably measured.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### (XIV) Fixed assets (Continued)

#### 2. Methods for classification and depreciation of fixed assets

The fixed assets of the Company mainly comprise: buildings and structures, glass-related special equipment, machinery and equipment, electronic equipment, transportation tools, etc. The fixed assets are depreciated using the straight-line method. The useful life and estimated residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Category	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	10-45	3	2.20-9.70
Machinery and equipment	18	3	5.40
Electronic equipment	15	3	6.50
Office equipment	5	3	19.40
Transportation tools	5	3	19.40
Glass-related special equipment	6	3	16.20

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XIV) Fixed assets (Continued)***

#### *3. Recognition and measurement of fixed assets under finance lease*

As for a fixed asset under finance lease, it is a lease that actually involves the transfer of all risks and rewards related to the ownership of the asset. A fixed asset under finance lease is initially measured at the lower of the fair value of the leased asset on the inception date and present value of the minimum lease payment. Subsequent measurement of fixed assets under finance lease shall adopt such depreciation policy as applied to self-owned fixed assets for making provisions for depreciation and impairment.

#### ***(XV) Construction in progress***

There are two types of construction in progress for the Company: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. A fixed asset is ready for intended use if any of the following criteria is met: the construction of the fixed assets (including installation) has been completed or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; little or no expenditure will be incurred for construction of the fixed asset; or the fixed asset constructed has achieved or almost achieved, or is complied with the requirement of design or contract.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XVI) Borrowing costs*

1. *Principle for recognition of capitalization of borrowing costs*

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit or loss for the current period when incurred. Qualifying assets include fixed assets, investment property and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

2. *Calculation of amount to be capitalized*

The capitalization period refers to the period beginning from the commencement of capitalizing borrowing costs to the date of ceasing capitalization, excluding the period of suspension of capitalization. Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XVI) Borrowing costs (Continued)*

##### 2. *Calculation of amount to be capitalized (Continued)*

For designated borrowings, the capitalized amount shall be the actual interest expense incurred for the designated borrowings, less the interest income from the unused funds of the designated borrowings or investment income from the temporary investments; and for general borrowings, the weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from designated borrowings times the capitalization rate of the general borrowings so occupied. The capitalization rate is the weighted average rate of the general borrowings; and for borrowings with discount or premium, the discount or premium was amortized over the term of the borrowings to adjust the interest in every period using effective interest rate method.

The effective interest rate method is based on the effective interest rate of the borrowings to calculate the amortization of discount or premium or interest expense. The effective interest rate is the rate in discounting the estimated future cash flows to the current carrying amount of the borrowings.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XVII) Intangible assets*

##### *1. Measurement of intangible assets*

Intangible assets of the Company are initially measured at cost. The actual cost of a purchased intangible asset includes the considerations and relevant expenses paid. The actual cost of an intangible asset contributed by investors is the price contained in the investment agreement or mutually agreed. If the price contained in the investment agreement or mutually agreed is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

Subsequent measurement of the Company's intangible assets: Intangible assets with finite useful lives are amortized on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there are variance with original estimates; Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XVII) Intangible assets (Continued)*

##### *2. Determination basis of infinite useful life*

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The judgment basis of intangible assets with indefinite useful life: derived from the contractual rights or other legal rights but the contract or the law does not specify certain useful life; in light of the conditions of the competitors and the opinions of relevant experts, the specific period that intangible asset can generate economic benefits to the Company still cannot be determined.

At the end of each year, the useful life shall be reviewed for those intangible assets with indefinite useful life by mainly using the bottom-up method. The relevant department that uses intangible asset will perform the basic review and evaluate whether there are changes in the basis for judgments of the indefinite useful life, etc.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XVII) Intangible assets (Continued)*

3. *Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage*

As for an internal research and development project, expenditure incurred in the research phase is recognized in profit or loss in the period as incurred. Expenses incurred in the development stage are transferred to intangible assets if the conditions for recognition of intangible assets are met.

Basis for distinguishing research phase and development phase of an internal research and development project:

The research phase refers to the phase in which original and planned investigations are conducted to acquire and understand new scientific or technological knowledge. During the research phase, which is characterized as explorative, data collection and other relevant preparations will be made for future development activities. There is great uncertainty as to whether research in progress can move onto development phase and whether intangible assets can be created at the end of the development phase.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XVII) Intangible assets (Continued)*

- 3. Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage (Continued)*

As for a research and development project, expenditure incurred in the research phase is recognized in profit or loss in the period as incurred.

The development phase refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product. Different from the research phase, the development phase is the application of the result of the research phase with the entity capable to demonstrate the feasibility of creating new products or new technologies.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XVII) Intangible assets (Continued)*

3. *Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage (Continued)*

Expenses incurred in the development phase are recognized as intangible assets if all of the following conditions are met:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale;
- (2) the intention to complete the intangible asset for use or for sale;
- (3) there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) the expenditures attributable to the development phase of the intangible asset could be reliably measured.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XVII) Intangible assets (Continued)***

3. *Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage (Continued)*

Expenditure on the development phase which does not meet the above conditions is included in the profit or loss in the period as incurred. Expenditure in the development phase which has been included in the profit or loss in the prior period will not be recognised as asset in subsequent periods. The expenditures that are incurred in the development phase and have been capitalized shall be presented as development expenses on the balance sheet and will be transferred to intangible assets when the project is ready for its intended use.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XVIII) Impairment of long-term assets*

Long-term assets such as long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, productive biological assets measured under the cost model, oil and gas assets, intangible assets and goodwill are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XVIII) Impairment of long-term assets (Continued)***

Goodwill separately presented on the financial statements is tested for impairment at least every year, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to asset groups or sets of asset groups expected to benefit from the synergy of business combination. Where the carrying amount of the asset group or the set of asset groups allocated with goodwill is higher than the recoverable amount, impairment loss is recognised accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or set of asset groups on pro rata basis.

Once the impairment loss of such assets is recognized, it will not be reversed in subsequent periods.

#### ***(XIX) Long-term prepayments***

Long-term prepayments of the Company are expenses which have been paid but benefit a period of over one year (not including one year). Long-term prepayments are amortized over the benefit period. If a long-term prepayment cannot bring benefit in future accounting periods, its residue value not yet amortized shall be transferred in full to profit or loss for the current period.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### **(XX) Employee benefits**

Employee benefits are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### *1. Short-term benefits*

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognized as liabilities and charged to profit or loss for the current period, or if otherwise required or permitted by other accounting standards, to the related costs of assets for the current period. At the time of actual occurrence, the Company's employee benefits are recorded in the profit or loss for the current period or related asset costs as incurred. The non-monetary employee welfare expenses are measured at fair value. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognize the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognize the corresponding liabilities in the accounting period in which employees provide service, and record the same in profit or loss for the current period or costs of related assets.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XX) Employee benefits (Continued)***

#### *2. Post-employment benefits*

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognized as a liability and recorded in profit or loss for the current period or in costs of related asset. In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the estimated accrued benefit method to the service period of relevant employee, and record the obligation in profit loss for the current period or costs of related assets.

#### *3. Termination benefits*

When providing termination benefits, the Company recognizes the liability in staff wages arising from termination benefits and recorded in profit or loss for the current period at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits resulting from the employment termination plan or the proposed layoff; and when the Company recognizes costs or expenses for restructuring involving the payment of termination costs.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XX) Employee benefits (Continued)***

#### 4. *Other long-term employee benefits*

The Company provides other long-term employee benefits to its employees. Those falling within the scope of the defined contribution scheme are accounted for according to relevant requirements of the defined contribution scheme. In addition, the Company recognizes and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XXI) Estimated liability*

If an obligation in relation to contingency is the present obligation of the Company, the performance of such obligation is likely to lead to an outflow of economic benefits and its amount can be reliably measured, such obligation shall be recognized as estimated liability. The initial measurement is based on the best estimate of the expenditure required for the performance of current obligation. When the necessary expenditures fall within a range and the probability of each result in the range is identical, the best estimate which is the median of the range shall be recognized; if there are several items involved, every possible result and its relevant probability are taken into account for the best estimate to be recognized.

At the balance sheet date, the carrying amount of estimated liabilities shall be reviewed. If there is solid evidence that the carrying amount cannot reflect truly the current best estimate, the carrying amount shall be adjusted according to the current best estimate.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XXII) Revenue***

The Company should recognize revenue when the customer acquires control of relevant goods after the contracts between the Company and the customer meeting the following conditions:

1. Parties to the contracts have approved such contract and committed that they would perform their respective obligations;
2. The contracts specified the rights and obligations of all parties on the goods transferred or services provided (hereafter referred to as “goods transferred”);
3. The contracts have clear payment terms on the goods transferred;
4. The contracts are of commercial nature, namely that the performance of the contracts will change of risks, time or amount of the future cash flows of the Company;
5. The consideration entitled to the Company from the transfer of goods to the customer is likely to be withdrawn.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXIII) Government grants****1. Types of government grants*

Government grants are monetary assets or non-monetary assets (excluding the capital invested by the government as the owner) obtained by the Company from the government for free, and are mainly divided into two types: government grants related to assets and government grants related to income.

*2. Accounting treatment of government grants*

Asset-related government grant shall be recognized as deferred income. The amount recognized as deferred income shall be recorded in profit or loss for the period by installments in a reasonable and systematic way over the useful life of the relevant assets. Specifically, the government grants related to the Company's daily activities shall be included in other income; and the government grants unrelated to the Company's daily activities shall be included in non-operating income.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XXIII) Government grants (Continued)*

#### 2. *Accounting treatment of government grants (Continued)*

Government grants measured at nominal amount shall be recorded directly in profit or loss for the current period.

Government grants related to income shall be treated as follows: those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit or loss for the current period when such expenses are recognized; and those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period. When included in the profits or losses for the period, government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XXIII) Government grants (Continued)*

3. *Specific standards for differentiating governmental grants related to assets from those related to income*

If the government grant received by the Company is used for construction or other project that forms a long term asset, it is regarded as asset-related government grant. The government grants other than the government grants related to assets are recognized as government grants related to income.

Where there is no express regulation on subsidy recipients in government documents, the criteria for differentiating governmental grants related to assets from those related to income is as below: (a) government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date; (b) government grant shall be categorized as related to income if its usage is only subject to general description without specifying any specific project in relevant document.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XXIII) Government grants (Continued)*

#### 4. *Timing for recognition of governmental grants*

The governmental grants measured at the amount receivable will be recognized when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received. Other government grants other than those measured at the amount receivable will be recognized at the actual time of receiving such grants.

#### 5. *Accounting treatment for interest subsidies for policy-based preferential loans*

(1) Where the interest subsidies are appropriated from the fiscal funds to the lending bank and then the bank provides loans to Company at a policy-based preferential interest rate, the Company will recognize the amount of borrowings received as the initial value and calculate the borrowing costs according to the principal amount and the policy-based preferential interest rate.

(2) Where the interest subsidies are paid directly to the Company, the Company will use such interest subsidies to offset the corresponding borrowing costs.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXIV) Deferred tax assets/deferred tax liabilities***

1. Deferred income tax assets or deferred income tax liabilities are recognized based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or, for items not recognized as assets or liabilities but whose tax base can be determined under tax laws, such tax base can be determined as their difference), and are calculated at the tax rates expected to apply to the period in which the assets are recovered or the liabilities are settled.
2. Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. At the balance sheet date, deferred income tax assets unrecognized in prior periods are recognized to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XXIV) Deferred tax assets/deferred tax liabilities (Continued)*

3. As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities are recognized unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognized when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are available against which the deductible temporary difference can be utilized.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXV) Lease***

1. Accounting treatment for operating leases: Rental expenses for operating leases shall be charged to the cost of the relevant assets or the current profit or loss on a straight-line basis over the lease term.
2. Accounting treatment for financing leases: A leased asset shall be measured at the lower of its fair value and the present value of relevant minimum lease payment. The difference between the carrying amount of the leased asset and the minimum lease payment shall be treated as unrecognized financing expenses and amortized using effective interest rate method over the lease term. The balance derived from deducting the unrecognized financing expenses from the minimum lease payment shall be presented as long-term payables.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XXVI) Changes in significant accounting policies and accounting estimates***

##### *1. Changes in significant accounting policies*

The MOF issued the following revised accounting standards and notice on format of financial statements in 2017 and 2018:

- CAS No.14 – Revenue (Revised) (the “new revenue standard”)
- CAS No.22 – Financial Instruments: Recognition and Measurement (Revised)
- CAS No.23 – Transfer of Financial Assets (Revised)
- CAS No.24 – Hedge Accounting (Revised)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XXVI) Changes in significant accounting policies and accounting estimates (Continued)*

##### 1. *Changes in significant accounting policies (Continued)*

- CAS No.37 – Presentation and Disclosures of Financial Instruments (Revised) (the above four standards, collectively the “new financial instruments standards”)
- Notice on Revision of the 2018 Illustrative Financial Statements (Caikuai [2018] No.15)(the “changes in the presentation and disclosure of financial statements”)

The Company has applied the above revised accounting standards and the notice since 1 January 2018 and adjusted the related accounting policies.

##### (1) New revenue standard

The new revenue standard replaces CAS No.14 — Revenue and CAS No.15 – Construction Contracts issued by the MOF in 2006 (the “old revenue standard”).

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XXVI) Changes in significant accounting policies and accounting estimates (Continued)*

##### 1. *Changes in significant accounting policies (Continued)*

###### (1) New revenue standard (Continued)

Under the old revenue standard, the Company recognised revenue when the risks and rewards had passed to the customers. The Company's revenue from sales of goods was recognised when the following conditions were met: the significant risks and rewards of ownership of the goods had been transferred to the customer, the amount of revenue and related costs could be reliably measured, the relevant economic benefits would probably flow to the Company and the Company retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from rendering of services and revenue from construction contracts were recognised by reference to the stage of completion of the transaction at the balance sheet date.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVI) Changes in significant accounting policies and accounting estimates (Continued)******1. Changes in significant accounting policies (Continued)*****(1) New revenue standard (Continued)**

Under the new revenue standard, the Company recognises revenue when control has been passed to customers: revenue is recognised when the Company has satisfied its performance obligations and the customer obtains control of the related goods or services. The Company satisfies a performance obligation over time if certain criteria are met; or otherwise, a performance obligation is satisfied at a point in time. Where a contract has two or more performance obligations, the Company determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Company recognises as revenue the

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### *(XXVI) Changes in significant accounting policies and accounting estimates (Continued)*

##### 1. *Changes in significant accounting policies (Continued)*

###### (1) New revenue standard (Continued)

amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)*****(XXVI) Changes in significant accounting policies and accounting estimates (Continued)****1. Changes in significant accounting policies (Continued)**(2) New financial instruments standards*

The new financial instruments standards contain three principal categories of financial assets: (1) financial assets measured at amortised cost; (2) financial assets measured at fair value through other comprehensive income; and (3) financial assets measured at fair value through profit and loss. The classification of financial assets under the new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The new financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under the old financial instruments standards. The adoption of new financial instruments standards does not have a significant impact on the Company's accounting policies for financial liabilities.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### ***(XXVI) Changes in significant accounting policies and accounting estimates (Continued)***

##### 1. *Changes in significant accounting policies (Continued)*

##### (2) New financial instruments standards (Continued)

The new financial instruments standards replace the “incurred loss” model in the old financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in the old financial instruments standards.

The Company retrospectively adjusted, with certain specific exceptions, its classification and measurement (including impairment) for financial instruments in accordance with the new financial instruments standards, and the differences between the original carrying amounts of the financial instruments and their corresponding new carrying amounts on the date the new financial instruments standards were adopted (i.e. 1 January 2018) were included in other comprehensive income at the beginning of 2018. Meanwhile, no adjustment was made to the comparative information in the financial statements by the Company.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### (XXVI) Changes in significant accounting policies and accounting estimates (Continued)

##### 1. Changes in significant accounting policies (Continued)

- (3) The combined impacts of the revised accounting standards and the changes in the presentation and disclosure of financial statements

The impacts of the revised accounting standards and Caikuai [2018] No.15 on the consolidated balance sheet and the items in the balance sheet of the Company as at 1 January 2018 are summarized as follows:

Unit: RMB

Item in the consolidated balance sheet	Balance as at 31 December 2017 before the adoption of the new accounting standards	Impact of the new revenue standard	Impact of the new financial instruments standards	Impact of changes in the presentation and disclosure of financial statements	Balance as at 1 January 2018 after the adoption of the new accounting standards
Assets :					
Available for sale financial assets	364,442,481.28			-364,442,481.28	
Other investment in equity instruments				364,442,481.28	<b>364,442,481.28</b>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### IV. TAXATION

#### (I) Major tax categories and tax rates

Tax categories	Tax basis	Rate
Value-added tax ("VAT")	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period;	17%, 6%
Urban maintenance and construction tax	Based on the turnover taxes paid	7%
Enterprise income tax	Based on taxable profits	25%, 15%

Taxpayer	Income tax rate
The Company	15%
Shaanxi IRICO New Material Co., Ltd* (陝西彩虹新材料有限公司)	15%
Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司)	15%

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### IV. TAXATION (CONTINUED)

#### ***(II) Major preferential tax treatment and approvals***

1. Pursuant to the “Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy” (Cai Shui [2011] No. 58) (《關於深入實施西部大開發戰略有關稅收政策問題的通知》(財稅[2011]58號)), as the Company and its subsidiary Shaanxi New Materials (陝西新材料) pertains to enterprises engaged in the industries encouraged by the government in the western region, they are entitled to relevant western development preferential policies upon filing with the tax branch directly under the Xianyang Municipal Office, SAT, and therefore enjoys the preferential EIT rate of 15% for the year.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### IV. TAXATION (CONTINUED)

#### **(II) Major preferential tax treatment and approvals (Continued)**

2. As the income from power generation of Nanjing New Energy and Hefei Photovoltaic, the subsidiaries of the Company, applies to preferential tax policy of three years' exemption from EIT followed by three years of 50% tax reduction. As stipulated under Clause 88 of the "Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (No.512 Decree of the State Council of the People's Republic of China)" (《中華人民共和國企業所得稅法實施條例》(中華人民共和國國務院令 第512 號)), qualified environmental protection, energy and water saving projects mentioned in Article 27(3) of the Enterprise Income Tax Law include public sewage treatment, public refuse disposal, comprehensive development and utilization of biogas, technological upgrade of energy saving and remission reduction, seawater desalination, etc. Enterprises engaged in the abovementioned qualified environmental protection, energy and water conservation projects, shall be exempted from entire EIT on income derived therefrom for the first to third years, and entitled to a 50% tax reduction from the fourth to sixth years, commencing from the assessable year during which relevant projects start to generate manufacturing or operating revenue.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***IV. TAXATION (CONTINUED)****(II) Major preferential tax treatment and approvals (Continued)**

## 2. (Continued)

According to the requirements under the policy, Nanjing New Energy, a subsidiary of the Company, shall complete the filing for EIT preferential matters from 1 January to 31 May July 2016 of the assessable year during which its project starts to generate manufacturing or operating revenue and be entitled to such preferential policy automatically during the tax prepayment period; Hefei Photovoltaic, a subsidiary of the Company, completed the filing for EIT preferential matters in July 2016 and enjoyed a preferential period commencing on 1 January 2016 and ending on 31 December 2018.

3. Jiangsu Yongneng, a subsidiary of the Company was accredited as a High and New Technology Enterprise (Certificate No. GF201532001341) as approved by the Science and Technology Department of Jiangsu Province, the Department of Finance of Jiangsu Finance Bureau, Jiangsu Tax Service, SAT and Jiangsu Local Tax Bureau on 3 November 2015, and has been entitled to a 15% preferential tax treatment for EIT.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### (I) Monetary funds

Item	Closing balance	Opening balance
Cash	5,268.37	8,158.15
Bank deposit	96,441,443.72	269,391,337.80
Other monetary funds	230,939,402.15	222,108,436.01
Total	327,386,114.24	491,507,931.96
Of which: Total deposits in overseas banks	17,436.15	17,287.45

#### Restricted Monetary funds

Item	Closing balance	Opening balance
Time deposits		50,000,000.00
Security deposit for acceptance bills	230,939,402.15	214,912,392.18
Security deposit for letter of credit		7,196,043.83
Frozen bank deposits	3,643,523.89	
Total	234,582,926.04	272,108,436.01

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (II) *Financial assets held for trading*

Item	Closing balance	Opening balance
1. Financial Assets measured at fair value through profit and loss	<b>991,157.72</b>	
Including: investment in equity instruments	<b>991,157.72</b>	
Total	<b>991,157.72</b>	

#### (III) *Bills receivable and accounts receivable*

Item	Closing balance	Opening balance
Bills receivable	<b>313,800,203.58</b>	438,566,911.32
Accounts receivable	<b>840,114,038.37</b>	546,894,837.18
Less: provision for bad debt	<b>34,315,529.00</b>	42,494,892.02
Total	<b>1,119,598,712.95</b>	942,966,856.48

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (III) Bills receivable and accounts receivable (Continued)

##### (1) Aging analysis

	<b>Closing balance</b>	Opening balance
0-90 days	<b>698,966,302.45</b>	502,578,244.41
91-180 days	<b>310,503,139.40</b>	246,786,789.35
181-365 days	<b>87,479,487.07</b>	162,830,117.85
Over 365 days	<b>22,649,784.03</b>	30,771,704.87
Total	<b><u>1,119,598,712.95</u></b>	<b><u>942,966,856.48</u></b>

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (III) Bills receivable and accounts receivable (Continued)

(2) Top five account receivables according to closing balance of debtors

Name of entity	Closing balance	Percentage of closing balance of total account receivables (%)	Closing balance of bad debt provision
Zhenjiang GCL New Energy Development Co., Ltd.* (鎮江協鑫新能源發展有限公司)	84,598,649.06	10.07	
Silai siji Company (斯來斯基公司)	78,175,089.10	9.31	254,714.75
Jurong GCL System Integration Technology Co., Ltd. (句容協鑫集成科技有限公司)	70,056,338.59	8.34	
Zhejiang Meidu Haichuang Lithium Battery Technology Co., Ltd. (浙江美都海創鋰電科技有限公司)	58,936,674.08	7.02	
Nanjing GCL New Energy Development Co., Ltd.* (南京協鑫新能源發展有限公司)	32,745,293.48	3.90	
Total	<u>324,512,044.31</u>	<u>38.63</u>	<u>254,714.75</u>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (IV) Prepayments

1. Presentation of prepayments stated according to ageing analysis

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	61,617,029.22	59.98	138,160,424.86	69.50
1-2 years	26,517,500.24	25.81	58,183,101.39	29.27
2-3 years	13,144,062.35	10.24	742,506.00	0.37
Over 3 years	1,457,183.33	3.97	1,692,683.54	0.85
Total	<u>102,735,775.14</u>	<u>100.00</u>	<u>198,778,715.79</u>	<u>100.00</u>

2. Particulars on substantial prepayments aged more than one year

Creditor	Debtor	Closing balance	Ageing	Reason for being unsettled
Green Energy	Risen Energy Co., Ltd. (東方日升新能源股份有限公司)	23,000,000.00	1-2 years	Not yet due
Hefei Photovoltaic	Hefei Gas Group Co., Ltd. (合肥燃氣集團有限公司)	14,540,000.00	0-3 years	Not yet due
Shaanxi New Material	Dongtai Hengde Recycling Co., Ltd. (東台市恒德再生資源回收有限公司)	2,619,000.00	Over 3 years	Not yet due
Shaanxi New Material	Suzhou Huike Equipment Co., Ltd. (蘇州匯科機電設備有限公司)	1,758,735.34	2-3 years	Not yet due
Total		<u>41,917,735.34</u>		

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (IV) Prepayments (Continued)

##### 3. Top five entities in terms of amount of prepayments

Name of entity	Closing balance	As a percentage of total prepayments (%)
Risen Energy Co., Ltd. (東方日升新能源股份有限公司)	23,000,000.00	22.39
Hefei Gas Group Co., Ltd. (合肥燃氣集團有限公司)	14,540,000.00	14.15
Shanghai Jingzhi New Energy Technology Co., Ltd. (上海璟志新 能源科技有限公司)	8,690,000.00	8.46
Wuxi Yingdan New Energy Co., Ltd. (無錫 盈旦新能源有限公司)	7,700,000.00	7.49
Nantong Sumin Renewable Energy Technology Co., Ltd. (南通蘇民新能源科技有 限公司)	5,957,963.20	5.80
Total	<u>59,887,963.20</u>	<u>58.29</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (V) *Other receivables*

Type	Closing balance	Opening balance
Other receivables	<b>216,312,297.20</b>	55,558,706.43
Less: provision for bad debts	<b>5,123,185.79</b>	1,608,737.56
Total	<b>211,189,111.41</b>	53,949,968.87

#### (1) *Other receivables classified by nature*

Nature of other receivables	Closing balance	Opening balance
Deposits	<b>19,275,551.12</b>	18,036,191.12
Security bonds and reserve fund	<b>2,561,189.80</b>	2,923,394.51
Open credit	<b>194,165,630.27</b>	33,709,016.99
Contribution to social security for employees etc.	<b>33,378.17</b>	89,448.28
Others	<b>276,547.84</b>	800,655.53
Total	<b>216,312,297.20</b>	55,558,706.43

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (V) Other receivables (Continued)

(2) Top five other receivables according to closing balance of debtors

Name of debtor	Nature of other receivables	Closing balance	Ageing	Percentage of closing balance of total other receivables (%)	Balance of bad debt provision
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Consideration for equity	131,900,963.71	0-6 months	60.98	
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	Deposit	18,000,000.00	2-3 years	8.32	
Ping An International Financial Leasing Company Limited (平安國際融資租賃有限公司)	Current accounts	10,500,000.00	0-6 months	4.85	
Wuxi Rongyuan New Materials Technology Co., Ltd. (無錫市融源新材料科技有限公司)	Current accounts	8,000,000.00	2-3 years	3.70	1,200,000.00
IRICO Group Company Limited* (彩虹集團有限公司)	Current accounts	5,092,240.72	2-3 years	2.33	
<b>Total</b>		<b>173,493,204.43</b>		<b>54.98</b>	<b>1,200,000.00</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (VI) Inventories

##### 1. Categories of inventories

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Raw materials	47,824,972.10	896,068.21	46,928,903.89	67,118,596.33	888,330.16	66,230,266.17
Goods in stock (finished goods)	20,175,577.75	234,198.80	19,941,378.95	84,273,413.62	2,566,817.15	81,706,596.47
Goods in transit	6,231,123.28		6,231,123.28	11,355,065.99	693,919.03	10,661,146.96
Semi-finished goods and work-in-process	23,505,112.42	106,334.91	23,398,777.51	12,729,192.19		12,729,192.19
Revolving materials and others	25,737,270.42	4,125,213.69	21,612,056.73	23,965,973.06	4,127,347.04	19,838,626.02
<b>Total</b>	<b>123,474,055.97</b>	<b>5,361,815.61</b>	<b>118,112,240.36</b>	<b>199,442,241.19</b>	<b>8,276,413.38</b>	<b>191,165,827.81</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (VI) Inventories (Continued)

##### 2. Movements in the provision for impairment of inventories

Item	Opening balance	Provided for the period	Decrease in the period		Closing balance
			Reversal	Write-off	
Raw materials	888,330.16	7,738.05			<b>896,068.21</b>
Goods in stock (finished goods)	2,566,817.15	-111,939.61		2,220,678.74	<b>234,198.80</b>
Goods in transit	693,919.03			693,919.03	
Semi-finished goods and work- in-process		106,334.91			<b>106,334.91</b>
Revolving materials and others	4,127,347.04	-2,133.35			<b>4,125,213.69</b>
Total	8,276,413.38			2,914,597.77	<b>5,361,815.61</b>

#### (VII) Other current assets

Item	Closing balance	Opening balance
Input VAT deductible	<b>108,525,740.87</b>	75,198,899.74
Other taxes prepaid	<b>19,983.92</b>	472,406.52
Deferred expenses	<b>81,081.08</b>	
Total	<b>108,626,805.87</b>	75,671,306.26

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (VIII) Long-term equity investments

Name of investee company	Opening balance	Increase in investment	Decrease in investment	Increase/decrease in the period					Closing balance	Closing balance of impairment provision	
				Investment gain or loss recognized under equity method	Adjustment to other comprehensive income	Other equity change	Distribution of cash dividend or profit	Provision for impairment			Transformation from a subsidiary to associate
<b>1. Joint Venture</b>											
Shenmu Caijing Photovoltaics Power Generation Co., Ltd. (神木彩景光伏發電有限公司)	35,520,647.44			-16,242.92						35,504,404.52	
Sub-total	35,520,647.44			-16,242.92						35,504,404.52	
<b>2. Associate</b>											
Yangjiang IRICO Shenggao Green Energy Co., Ltd. (陽江彩虹勝高綠色能源有限公司)	858,106.12			-110,811.43						747,294.69	
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	3,469,067.28			-26,849.42						3,442,217.86	
IRICO New Energy (Changwu) Co., Ltd. (長武彩虹新能源有限公司)	2,939,076.65			-1,954.56						2,937,122.09	
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	11,374,068.50			-81,350.07						11,292,718.43	
Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)				6,436.74				126,710,246.90		126,716,683.64	
Sub-total	18,640,318.55			-214,528.74				126,710,246.90		145,136,036.71	
Total	54,160,965.99			-230,771.66				126,710,246.90		180,640,441.23	

**Note 1:** The value of the assets of Zhuhai Caizhu as at 31 December 2017 (i.e. the valuation date) as appraised by Beijing Pan-China Assets Appraisal Co., Ltd.\* (北京天健興業資產評估有限公司) was RMB258,592,340.61. On 3 May 2018, the Company and Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) entered into the Equity Transfer Agreement, pursuant to which the Company agreed to transfer the 51% equity interest in Zhuhai Caizhu to Xianyang Zhongdian IRICO Group Holdings Ltd. at a consideration of RMB131,882,093.71. Investment gains from the disposal of Zhuhai Caizhu in the period was RMB144,153,897.33. As at 30 June 2018, the Company's remaining shareholding in Zhuhai Caizhu was 49%.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (IX) Other Investment in Equity instruments

1. Financial assets designated at fair value through other comprehensive income

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
IRICO Display Devices Co., Ltd. (彩虹顯示器件股份有限公司)	516,426,356.18	266,674,104.80	249,752,251.38	528,100,328.27	266,674,104.80	261,426,223.47
Shaanxi Caihong Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公司)	103,016,257.81		103,016,257.81	103,016,257.81		103,016,257.81
Total	<u>619,442,613.99</u>	<u>266,674,104.80</u>	<u>352,768,509.19</u>	<u>631,116,586.08</u>	<u>266,674,104.80</u>	<u>364,442,481.28</u>

*Note 1:* As at the end of the Reporting Period, The Group held a total of 35,375,673 shares of IRICO Display Devices Co., Ltd. ("IRICO Display"), with a share price of RMB7.06 for each.

*Note 2:* As at the end of the Reporting Period, the Group held 7.2953% of the equity interests in Shaanxi Caihong Electronics Glass Co., Ltd.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (X) Investment properties

##### 1. Investment properties measured at cost

Item	Buildings	Total
<b>I. Original carrying amount</b>		
1. Opening balance	<b>32,019,700.51</b>	32,019,700.51
2. Increase in the period		
3. Decrease in the period	<b>32,019,700.51</b>	32,019,700.51
(1) Narrow-down in scope of consolidation	<b>32,019,700.51</b>	32,019,700.51
4. Closing balance		
<b>II. Accumulated depreciation and amortisation</b>		
1. Opening balance	<b>21,058,536.20</b>	21,058,536.20
2. Increase in the period	<b>647,677.80</b>	647,677.80
(1) Provision or amortisation	<b>647,677.80</b>	647,677.80
3. Decrease in the period	<b>21,706,214.00</b>	21,706,214.00
(1) Narrow-down in scope of consolidation	<b>21,706,214.00</b>	21,706,214.00
4. Closing balance		
<b>III. Provision for impairment</b>		
1. Opening balance		
2. Increase in the period		
3. Decrease in the period		
4. Closing balance		
<b>IV. Carrying amount</b>		
1. Closing balance of carrying amount		
2. Opening balance of carrying amount	<b>10,961,164.31</b>	10,961,164.31

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XI) Fixed assets

Item	Closing balance	Opening balance
Fixed assets	<b>1,502,108,494.78</b>	1,532,352,496.07
Disposal of fixed assets	<b>179,895.77</b>	179,895.77
Less: Provision for impairment	<u><b>702,513,305.87</b></u>	<u>712,870,143.01</u>
Total	<u><b>799,775,084.68</b></u>	<u>819,662,248.83</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XI) Fixed assets (Continued)

##### 1. Fixed assets

##### (1) Details of fixed assets

Item	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Office and other equipment	Glass-related special equipment	Total
<b>I. Original carrying amount</b>							
1. Opening balance	460,788,185.23	707,801,794.00	16,872,143.18	471,939,393.10	14,881,076.74	282,146,974.09	1,954,429,566.34
2. Increase in the period		12,414,222.62		121,868.85	4,040,650.77		16,576,742.24
(1) Purchase		1,888,888.20		121,868.85	78,413.51		2,089,170.56
(2) Transferred from construction in progress		10,525,334.42			3,962,237.26		14,487,571.68
3. Decrease in the period	7,594,146.28	24,018,487.11	847,069.29	7,570.00	723,783.66		33,191,056.34
(1) Narrow-down in scope of consolidation	7,594,146.28	24,018,487.11	847,069.29	7,570.00	723,783.66		33,191,056.34
4. Closing balance	453,194,038.95	696,197,529.51	16,025,073.89	472,053,691.95	18,197,943.85	282,146,974.09	1,937,815,252.24
<b>II. Accumulated depreciation</b>							
1. Opening balance	99,265,655.45	172,247,832.11	10,599,001.54	74,276,315.39	9,882,970.89	55,805,294.89	422,077,070.27
2. Increase in the period	7,389,958.66	12,538,095.63	325,225.21	6,043,641.89	150,811.80	7,117,320.18	33,565,053.37
(1) Provision	7,389,958.66	12,538,095.63	325,225.21	6,043,641.89	150,811.80	7,117,320.18	33,565,053.37
3. Decrease in the period	6,471,032.27	12,343,605.77	418,327.75		702,400.39		19,935,366.18
(1) Narrow-down in scope of consolidation	6,471,032.27	12,343,605.77	418,327.75		702,400.39		19,935,366.18
4. Closing balance	100,184,581.84	172,442,321.97	10,505,899.00	80,319,957.28	9,331,382.30	62,922,615.07	435,706,757.46
<b>III. Provision for impairment</b>							
1. Opening balance		302,662,886.68	3,154,148.48	233,876,874.69	1,175,360.31	172,000,872.85	712,870,143.01
2. Increase in the period							
3. Decrease in the period		10,356,837.14					10,356,837.14
(1) Narrow-down in scope of consolidation		10,356,837.14					10,356,837.14
4. Closing balance		292,306,049.54	3,154,148.48	233,876,874.69	1,175,360.31	172,000,872.85	702,513,305.87
<b>IV. Carrying amount</b>							
1. Closing balance of carrying amount	353,009,457.11	231,449,158.00	2,365,026.41	157,856,859.98	7,691,201.24	47,223,486.17	799,595,188.91
2. Opening balance of carrying amount	361,522,529.78	232,891,075.21	3,118,993.16	163,786,203.02	3,822,745.54	54,340,806.35	819,482,353.06

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****(XI) Fixed assets (Continued)****1. Fixed assets (Continued)***(1) Details of fixed assets (Continued)**

*Note 1:* As at 30 June 2018, title certificates for buildings of Hefei Photovoltaic and Hanzhong Jiarunze, both being subsidiaries of the Company, with original carrying amount of RMB363,971,722.51 were still to be obtained. As the related projects had not completed, the two subsidiaries had not completed the procedures for obtaining the title certificates.

*Note 2:* As at 30 June 2018, the original carrying amount of fixed assets fully depreciated but still in use amounted to RMB112,937,107.20.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XI) Fixed assets (Continued)

##### 1. Fixed assets (Continued)

(2) Temporarily idle fixed assets as at 30 June 2018

Category	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Machinery and equipment	83,224,193.06	12,511,320.74	68,126,052.18	2,586,820.14	
Motor vehicles	2,524,802.66	1,535,666.38	913,392.20	75,744.08	
Electronic devices	173,854,541.25	35,068,812.40	107,706,411.60	31,079,317.25	
Office equipment and others	4,419,267.94	3,111,329.25	1,175,360.31	132,578.38	
Glass-related special equipment	<u>50,684,052.04</u>	<u>13,311,268.14</u>	<u>35,427,653.97</u>	<u>1,945,129.93</u>	
Total	<u>314,706,856.95</u>	<u>65,538,396.91</u>	<u>213,348,870.26</u>	<u>35,819,589.78</u>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XII) Construction in progress

Item	Closing balance	Opening balance
Construction in progress	<b>1,481,416,066.51</b>	1,026,065,102.06
Less: provision for impairment	<b><u>84,426,004.20</u></b>	<u>84,426,004.20</u>
Total	<b><u><u>1,396,990,062.31</u></u></b>	<u><u>941,639,097.86</u></u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XII) Construction in progress (Continued)

##### 1. Construction in progress

##### (1) Construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	876,285,434.82		876,285,434.82	668,437,054.78		668,437,054.78
Overhaul of photovoltaic glass project phase I (光伏一期冷修)	1,387,210.44		1,387,210.44	1,387,210.44	-	1,387,210.44
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃二期)	143,421,839.09	84,426,004.20	58,995,834.89	143,450,959.56	84,426,004.20	59,024,955.36
Quartz sand mine and quartz sand plant construction project (石英砂礦及石英砂建廠項目)	13,219,228.71		13,219,228.71	12,688,189.42		12,688,189.42
Distributed photovoltaic power generation project of CEC Panda Flat Panel Display Technology Co., Ltd. (南京熊貓平板分布式光伏發電項目)	67,020,652.06		67,020,652.06	54,081,298.08		54,081,298.08
Solar photovoltaic glass furnace (太陽能光伏玻璃熔爐)	371,691,133.80		371,691,133.80	136,237,016.00		136,237,016.00
Xianyang photovoltaic glass production line construction project (咸陽光伏玻璃生產線建設項目)	5,217,008.64		5,217,008.64	2,265,677.94		2,265,677.94
Vacuum glass trail production line project (真空玻璃試驗生產線項目)				6,180,166.65		6,180,166.65
Others	3,173,558.95		3,173,558.95	1,337,529.19		1,337,529.19
<b>Total</b>	<b>1,481,416,066.51</b>	<b>84,426,004.20</b>	<b>1,396,990,062.31</b>	<b>1,026,065,102.06</b>	<b>84,426,004.20</b>	<b>941,639,097.86</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XII) Construction in progress (Continued)

##### 1. Construction in progress (Continued)

##### (2) Movements of significant construction in progress

Name of project	Budgeted amount	Opening balance	Increase for the period	Transfer to fixed assets	Other decreases	Closing balance
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	1,850,000,000.00	668,437,054.78	212,553,368.63	4,704,988.59		<b>876,285,434.82</b>
Overhaul of photovoltaic glass project phase I (光伏一期冷修)		1,387,210.44				<b>1,387,210.44</b>
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期)	305,000,000.00	143,450,959.56			29,120.47	<b>143,421,839.09</b>
Quartz sand mine and quartz sand plant construction project (石英砂礦及石英砂建廠項目)	28,040,000.00	12,688,189.42	871,071.70		340,032.41	<b>13,219,228.71</b>
Distributed photovoltaic power generation project of CEC Panda Flat Panel Display Technology Co., Ltd. (南京熊猫平板分布式光伏发电項目)	107,364,100.00	54,081,298.08	18,778,298.10	5,820,345.83	18,598.29	<b>67,020,652.06</b>
Solar photovoltaic glass furnace (太陽能光伏玻璃窯爐)	750,170,800.00	136,237,016.00	235,454,117.80			<b>371,691,133.80</b>
Xianyang photovoltaic glass production line construction project (咸陽光伏玻璃生產線建設項目)	831,000,000.00	2,265,677.94	2,951,330.70			<b>5,217,008.64</b>
Vacuum glass trail production line project (真空玻璃試驗生產線項目)	9,800,000.00	6,180,166.65			6,180,166.65	
Others		1,337,529.19	5,808,267.02	3,962,237.26	10,000.00	<b>3,173,558.95</b>
<b>Total</b>		<b>1,026,065,102.06</b>	<b>476,416,453.95</b>	<b>14,487,571.68</b>	<b>6,577,917.82</b>	<b>1,481,416,066.51</b>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XII) Construction in progress (Continued)

##### 1. Construction in progress (Continued)

##### (2) Movements of significant construction in progress (Continued)

Name of project	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalization of interest	Including: Capitalization of interest for the period	Interest capitalization rate for the period (%)	Sources of fund
Hefei photovoltaic glass construction project (合肥光伏玻璃建設項目)	47%	47%	178,413,117.70	11,085,726.16	4.82%	Self-raised funds
Overhaul of photovoltaic glass project phase I (光伏一期冷修)						Self-raised funds
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期)	52%	52%	20,221,417.52			Self-raised funds
Quartz sand mine and quartz sand plant construction project (石英砂礦及石英砂建廠項目)	124.00%					Self-raised funds
Distributed photovoltaic power generation project of CEC Panda Flat Panel Display Technology Co., Ltd. (南京熊猫平板分布式光伏發電項目)	87%	87%	294,839.95	229,369.33		Self-raised funds
Solar photovoltaic glass furnace (太陽能光伏玻璃熔爐)	50%	95%	1,446,549.03	962,479.95	4.75%	Self-raised funds
Xianyang photovoltaic glass production line construction project (咸陽光伏玻璃生產線建設項目)	0.70%	0.70%				Self-raised funds
Vacuum glass trail production line project (真空玻璃試驗生產線項目)						Self-raised funds
Others						Self-raised funds
<b>Total</b>			<b>77,480,175.18</b>	<b>12,277,575.44</b>		

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XII) Construction in progress (Continued)

##### 1. Construction in progress (Continued)

- (2) Movements of significant construction in progress (Continued)

*Note 1:* Other decreases for the period are mainly attributable to the transfer-out of construction in progress of RMB6,180,166.65, due to the fact that Zhuhai Caizhu was no longer included in the consolidation scope upon the disposal of Zhuhai Caizhu by the Company in the period.

- (3) Impairment provision for construction in progress

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for provision
Xianyang photovoltaic glass project (phase III) (咸陽光伏玻璃三期)	84,426,004.20			84,426,004.20	
Total	84,426,004.20			84,426,004.20	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XIII) Intangible assets

Item	Land use rights	Patents	Trademarks	Computer software	Non-patent technologies	Mining rights	Total
<b>I. Original carrying amount</b>							
1. Opening balance	235,561,572.48	1,376,000.00	45,850.00	2,302,662.41	19,582,500.00	26,600,362.50	285,468,947.39
2. Increase for the period	40,940,461.94				74,339.62		41,014,801.56
(1) Addition	40,940,461.94				74,339.62		41,014,801.56
3. Decrease for the period							
4. Closing balance	276,502,034.42	1,376,000.00	45,850.00	2,302,662.41	19,656,839.62	26,600,362.50	326,483,748.95
<b>II. Accumulated amortisation</b>							
1. Opening balance	22,994,686.90	1,376,000.00	28,656.00	2,301,086.13	19,232,666.67	7,170,532.50	53,103,628.20
2. Increase for the period	2,782,055.88		2,292.48	1,025.64	82,841.97	1,387,845.00	4,256,060.97
(1) Provision	2,782,055.88		2,292.48	1,025.64	82,841.97	1,387,845.00	4,256,060.97
3. Decrease for the period							
4. Closing balance	25,776,742.78	1,376,000.00	30,948.48	2,302,111.77	19,315,508.64	8,558,377.50	57,359,689.17
<b>III. Provision for impairment</b>							
1. Opening balance							
2. Increase for the period							
3. Decrease for the period							
4. Closing balance							
<b>IV. Carrying amount</b>							
1. Carrying amount as at the end of the period	250,725,291.64		14,901.52	550.64	341,330.98	18,041,985.00	269,124,059.78
2. Carrying amount as at the beginning of the period	212,566,885.58		17,194.00	1,576.28	349,833.33	19,429,830.00	232,365,319.19

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XIV) Goodwill

##### 1. Original carrying amount of goodwill

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Jiangsu Yongneng	<u>41,533,010.55</u>			<u>41,533,010.55</u>
Total	<u><u>41,533,010.55</u></u>			<u><u>41,533,010.55</u></u>

*Note:* The Company acquired 30.00% equity interest in Jiangsu Yongneng from other shareholders of Jiangsu Yongneng at a cash consideration of RMB68,000,000 in March 2017. Together with the 21.00% equity interest previously held by the Company, over 50% voting rights for Jiangsu Yongneng were gained by the Company, enabling the Company to control over Jiangsu Yongneng and include Jiangsu Yongneng into the scope of consolidation. Any excess of combination cost over the share of fair value of identifiable net assets in the acquiree as a result of the combination was recognised as goodwill.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XV) Long-term prepayments

Category	Opening balance	Increase for the period	Amortisation for the period	Other decreases	Closing balance
Leasing service fees to China Electronics Leasing Company	5,196,348.37		863,364.30		<b>4,332,984.07</b>
Expansion of production capacity of battery materials	1,526,312.70		179,566.20		<b>1,346,746.50</b>
Leasing service fees to Ping An International Financial Leasing Co., Ltd.		<u>8,780,377.36</u>	<u>744,377.36</u>		<b><u>8,036,000.00</u></b>
Total	<u>6,722,661.07</u>	<u>8,780,377.36</u>	<u>1,787,307.86</u>		<b><u>13,715,730.57</u></b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XVI) *Deferred tax assets/deferred tax liabilities*

1. *Deferred tax assets and deferred tax liabilities not stated on a net amount basis*

Item	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible/ taxable temporary differences	Deferred tax assets/liabilities	Deductible/ taxable temporary differences
Deferred tax assets:				
Provision for asset impairment	<u>502,525.08</u>	<u>3,350,167.14</u>	<u>588,775.47</u>	<u>3,925,169.78</u>
Subtotal	<u><b>502,525.08</b></u>	<u><b>3,350,167.14</b></u>	<u><b>588,775.47</b></u>	<u><b>3,925,169.78</b></u>
Deferred tax liabilities:				
Assets revaluation increment from business combination not under common control	<u>615,762.33</u>	<u>4,105,082.20</u>	<u>559,280.19</u>	<u>3,728,534.60</u>
Subtotal	<u><b>615,762.33</b></u>	<u><b>4,105,082.20</b></u>	<u><b>559,280.19</b></u>	<u><b>3,728,534.60</b></u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XVI) *Deferred tax assets/deferred tax liabilities (Continued)*

##### 2. *Breakdown of unrecognised deferred tax assets*

Item	Closing balance	Opening balance
Provision for asset impairment	<b>1,098,413,945.27</b>	1,112,425,125.19
Deductible tax losses	<b>1,128,307,924.10</b>	781,637,443.96
Total	<b><u>2,226,721,869.37</u></b>	<b><u>1,894,062,569.15</u></b>

##### 3. *Deductible tax losses that are not recognised as deferred tax assets will expire in the following years*

Year	Closing balance	Opening balance	Notes
2018	<b>178,484,290.32</b>	195,260,828.67	
2019	<b>406,635,412.91</b>	415,137,191.22	
2020	<b>5,041,346.96</b>	36,580,353.17	
2021	<b>407,617,752.25</b>	39,905,817.50	
2022	<b>127,718,749.30</b>	94,753,253.40	
2023	<b>2,810,372.36</b>		
Total	<b><u>1,128,307,924.10</u></b>	<b><u>781,637,443.96</u></b>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XVII) Other non-current assets

Item	Closing balance	Opening balance
Prepaid taxes	3,140,102.54	3,140,102.54
Prepayments for construction projects	—	167,350,302.71
Total	<b>3,140,102.54</b>	170,490,405.25

#### (XVIII) Short-term borrowings

##### 1. Categories of short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Pledged loans	152,087,681.00	298,298,613.98
Mortgaged loans	18,000,000.00	33,000,000.00
Guaranteed loans	176,000,000.00	226,000,000.00
Total	<b>346,087,681.00</b>	557,298,613.98

*Note 1:* The pledged loans at the end of the period amounted to RMB152,087,681.00, including a loan of RMB2,087,681.00 from the Industrial and Commercial Bank of China secured by pledge of the Company's bills receivable; a loan of RMB150,000,000.00 from China Electronics Financial Co., Ltd. (中國電子財務有限責任公司) secured by pledge of the shares of IRICO Display held by the Company.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### ***(XVIII) Short-term borrowings (Continued)***

##### 1. *Categories of short-term borrowings (Continued)*

*Note 2:* The mortgaged loans at the end of the period amounted to RMB18,000,000.00, including the loans of RMB18,000,000.00 granted by Suzhou Bank Zhangjiagang Sub-branch to Jiangsu Yongneng, a subsidiary of the Company, which were secured by mortgage on certain buildings and land use rights.

*Note 3:* The guaranteed loans at the end of the period amounted to RMB176,000,000.00, including a loan of RMB20,000,000.00 granted by China Zheshang Bank (浙商銀行) to the Company, which was secured by guarantee provided by IRICO Group Company Limited\* and Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) ("Zhongdian IRICO"); a loan of RMB70,000,000.00 granted by China Everbright Bank Company Limited Xi'an Branch to the Company, which was secured by guarantee provided by IRICO Group Company Limited\*; a loan of RMB26,000,000.00 granted by Hefei Science & Technology Rural Commercial Bank (合肥科技農村商業銀行) Xinzhan Sub-branch to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO; a loan of RMB20,000,000.00 granted by Huishang Bank (徽商銀行) to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO; and a loan of RMB40,000,000.00 granted by Zhangjiagang Rural Commercial Bank (張家港農村商業銀行) to Jiangsu Yongneng, a subsidiary of the Company, which was secured by guarantee provided by Jiangsu Zhangjiagang Economic Development Zone Industrial Corporation (江蘇省張家港經濟開發區實業總公司).

*Note 4:* All of the short-term loans will expire before 24 May 2019.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XIX) Notes and accounts payables

Item	Closing balance	Opening balance
Notes payable	<b>558,288,127.76</b>	566,500,363.01
Accounts payable	<b>914,645,526.94</b>	748,485,746.95
Total	<b><u>1,472,933,654.70</u></b>	<b><u>1,314,986,109.96</u></b>

#### 1. Notes payable

Item	Closing balance	Opening balance
Bank acceptance bills	<b>558,288,127.76</b>	566,500,363.01
Total	<b><u>558,288,127.76</u></b>	<b><u>566,500,363.01</u></b>

*Note:* All the notes payable will fall due before 26 June 2019.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XIX) Notes and accounts payables (Continued)*

#### 2. Accounts payable

##### (1) By aging

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	<b>864,326,206.09</b>	626,792,197.77
Over 1 year	<b>50,319,320.85</b>	121,693,549.18
 Total	 <b><u>914,645,526.94</u></b>	 <u>748,485,746.95</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XIX) Notes and accounts payables (Continued)*

#### 2. Accounts payable (Continued)

(2) Significant accounts payable aged over one year

<u>Name of creditor</u>	<b>Closing balance</b>	Reason for non-payment
Xianyang Caiqin Electronic Device Co., Ltd.	<b>4,740,348.60</b>	Not yet due.
Ninth Metallurgical Construction Co., Ltd.	<b>3,015,923.61</b>	Not yet due.
Xianyang Zhongdian IRICO Group Holdings Ltd.	<b>3,188,781.36</b>	Not yet due.
Hefei Tongchuang Construction Engineering Co., Ltd.	<b>2,111,376.95</b>	Not yet due.
Nantong Sijian Construction Group Co., Ltd	<b>3,038,531.49</b>	Not yet due.
Shanghai Precision Dosing & Weighing System Co., Ltd.	<b>2,802,000.00</b>	Not yet due.
Shanxi Lu'an Solar Technology Co., Ltd.	<b>3,370,886.37</b>	Not yet due.
Total	<b><u>22,267,848.38</u></b>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XX) Receipts in advance

Item	Closing balance	Opening balance
Within 1 year		
(including 1 year)	<b>24,318,891.84</b>	128,409,399.39
Over 1 year	<b>37,084,613.49</b>	36,573,506.01
Total	<b>61,403,505.33</b>	164,982,905.40

#### 1. Significant receipts in advance aged over 1 year

Name of creditor	Closing balance	Reason for not carrying forward
Shenmu Caijing Photovoltaic Power Generation Co., Ltd. (神木彩景光伏發電有限公司)	<b>35,400,000.00</b>	Not yet due
Total	<b>35,400,000.00</b>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXI) Employee benefits payable

1. Employee benefits payable is shown as follows

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term benefits	48,420,189.64	82,780,109.11	87,832,192.43	<b>43,368,106.32</b>
Post-employment benefits – defined contribution scheme	61,489.19	9,391,145.14	8,883,380.30	<b>569,254.03</b>
Termination benefits	<u>27,929,678.06</u>	<u>6,419,577.75</u>	<u>19,232,835.78</u>	<u><b>15,116,420.03</b></u>
Total	<u><u>76,411,356.89</u></u>	<u><u>98,590,832.00</u></u>	<u><u>115,948,408.51</u></u>	<u><u><b>59,053,780.38</b></u></u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXI) Employee benefits payable (Continued)

##### 2. Short-term benefits

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Salaries, bonuses, allowance and subsidies	10,105,564.05	66,537,031.50	68,804,224.79	<b>7,838,370.76</b>
Staff welfare	23,177,836.66	5,362,766.37	8,603,842.42	<b>19,936,760.61</b>
Social insurance	485.04	4,137,250.57	4,012,823.28	<b>124,912.33</b>
Including: Medical insurance	485.04	3,607,596.46	3,485,886.34	<b>122,195.16</b>
Work-related injury insurance		448,359.64	447,071.10	<b>1,288.54</b>
Maternity insurance		80,003.14	78,574.51	<b>1,428.63</b>
Others		1,291.33	1,291.33	
Housing provident fund	969.89	3,526,653.46	3,415,300.18	<b>112,323.17</b>
Labour union expenses and employee education expenses	6,972,671.39	1,658,973.79	1,244,568.34	<b>7,387,076.84</b>
Short-term paid leave		26,362.72	26,362.72	
Other short-term benefits	<u>8,162,662.61</u>	<u>1,531,070.70</u>	<u>1,725,070.70</u>	<b><u>7,968,662.61</u></b>
<b>Total</b>	<b><u>48,420,189.64</u></b>	<b><u>82,780,109.11</u></b>	<b><u>87,832,192.43</u></b>	<b><u>43,368,106.32</u></b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XXI) Employee benefits payable (Continued)*

##### 3. Defined contribution scheme

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	35,518.89	9,114,570.16	8,623,456.53	<b>526,632.52</b>
Unemployment insurance	25,970.30	276,574.98	259,923.77	<b>42,621.51</b>
Total	<u>61,489.19</u>	<u>9,391,145.14</u>	<u>8,883,380.30</u>	<u><b>569,254.03</b></u>

#### *(XXII) Taxes payable*

Tax categories	Closing balance	Opening balance
Value-added tax	<b>5,262,348.81</b>	1,010,993.75
Enterprise income tax	<b>10,129,818.24</b>	7,056,181.48
Urban maintenance and construction tax	<b>2,014,270.28</b>	2,041,978.15
Real estate tax	<b>356,654.79</b>	2,210,291.19
Land use tax	<b>2,190,113.18</b>	1,847,812.22
Individual income tax	<b>712,468.66</b>	1,318,805.83
Education surcharge	<b>266,567.29</b>	273,473.74
Stamp duty	<b>136,937.14</b>	454,683.00
Others	<u><b>2,275,143.27</b></u>	198,814.33
Total	<u><b>23,344,321.66</b></u>	<u>16,413,033.69</u>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXIII) Other payables

Item	Closing balance	Opening balance
Interests payable	<b>2,132,279.17</b>	1,653,041.38
Dividends payable	<b>21,689,811.54</b>	21,689,811.54
Other payables	<b><u>1,661,594,761.37</u></b>	<u>1,490,611,158.91</u>
Total	<b><u><u>1,685,416,852.08</u></u></b>	<u><u>1,513,954,011.83</u></u>

#### 1. Interests payable

Category	Closing balance	Opening balance
Interest of long-term borrowings with interest paid in installments and principal repaid on maturity	<b>2,132,279.17</b>	304,486.30
Interest payables of short-term borrowings	-	585,527.41
Other interests	-	<u>763,027.67</u>
Total	<b><u><u>2,132,279.17</u></u></b>	<u><u>1,653,041.38</u></u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXIII) Other payables (Continued)

##### 2. Dividends payable

Name of entity	Closing balance	Opening balance	Reason for unsettlement over 1 year
Dividends of ordinary shares	<b><u>21,689,811.54</u></b>	<u>21,689,811.54</u>	Hasn't been collected yet
Total	<b><u><u>21,689,811.54</u></u></b>	<u><u>21,689,811.54</u></u>	

##### 3. Other payables

###### (1) By nature

Nature of amount	Closing balance	Opening balance
Retention money and deposits	<b>9,503,185.52</b>	11,607,262.51
Amounts due to related parties	<b>1,073,418,174.36</b>	965,592,276.58
Amounts due to employees	<b>4,281,702.09</b>	2,419,839.60
Payments for acquisition of equity interests	<b>9,241,500.00</b>	9,241,500.00
Loans from non-financial institutions	<b>517,030,733.24</b>	437,619,907.14
Other current account	<b><u>48,119,466.16</u></b>	<u>64,130,373.08</u>
Total	<b><u><u>1,661,594,761.37</u></u></b>	<u><u>1,490,611,158.91</u></u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXIII) Other payables (Continued)

#### 3. Other payables (Continued)

#### (2) Explanations on significant other payables

<u>Name of entity</u>	<u>Closing balance</u>	Reason for unsettlement
IRICO Group Company Limited*	<b>792,861,998.44</b>	Loans from related parties have not expired.
Xianyang Zhongdian IRICO Group Holdings	<b>106,114,055.83</b>	Loans from related parties have not expired.
Total	<b><u>898,976,054.27</u></b>	-

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXIV) *Non-current liabilities due within one year*

Item	Closing balance	Opening balance
Long-term loans due within one year	<b>200,174,500.00</b>	220,400,000.00
Deferred income due within one year	<b>1,754,031.16</b>	2,329,511.26
Total	<b>201,928,531.16</b>	222,729,511.26

*Note:* Long-term loans due within one year were RMB200,174,500.00, including a loan of RMB30,100,000.00 granted by China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司) to the Company, which was secured by mortgage over certain fixed assets of the Company; a loan of RMB83,074,500.00 granted by Ping An International Financial Leasing Company Limited to Hefei Photovoltaic, a subsidiary of the Company, which was secured by mortgage over certain fixed assets of Hefei Photovoltaic; a loan of RMB38,159,220.00 granted by Hefei Science & Technology Rural Commercial Bank to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO; a loan of RMB27,363,073.29 granted by Anhui She County Rural Commercial Bank to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO; a loan of RMB8,477,706.71 granted by Anhui Xiuning Rural Commercial Bank to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO; and a loan of RMB13,000,000.00 granted by Hefei Science & Technology Rural Commercial Bank to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXV) Long-term loans

Borrowing conditions	Closing balance	Opening balance	Interest rate range
Mortgaged loans	<b>425,455,532.31</b>	210,700,000.00	4.655% -7.47%
Guaranteed loans	<b>224,020,000.00</b>	180,298,700.00	4.655% -5.23%
Credit loans	<b>8,300,000.00</b>	4,400,000.00	5.795%
Total	<b>657,775,532.31</b>	395,398,700.00	

*Note 1:* The mortgaged loans at the end of the period amounted to RMB425,455,532.31, including a loan of RMB310,700,000.00 granted by China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司) to the Company, which was secured by mortgage over certain fixed assets of the Company; and a loan of RMB114,755,532.31 granted by Ping An International Financial Leasing Company Limited (平安國際融資租賃有限公司) to Hefei Photovoltaic, a subsidiary of the Company, which was secured by mortgage over certain fixed assets of Hefei Photovoltaic.

*Note 2:* The guaranteed loans at the end of the period amounted to RMB224,020,000.00, including a loan of RMB49,800,000.00 granted by Huaxia Bank Xi'an Branch to Shaanxi New Materials, a subsidiary of the Company, which was secured by guarantee provided by the Company; a loan of RMB65,000,000.00 granted by Hefei Science & Technology Rural Commercial Bank to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO; a loan of RMB22,220,000.00 granted by Anhui Xiuning Rural Commercial Bank to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO; a loan of RMB37,000,000.00 granted by Hefei Science & Technology Rural Commercial Bank to Hefei Photovoltaic, a subsidiary of the Company, which was secured by guarantee provided by Zhongdian IRICO and a loan of RMB50,000,000.00 granted by Xi'an Bank to the Company, which was secured by guarantee provided by IRICO Group Company Limited\*.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XXV) Long-term loans*

*Maturity profile of long-term loans*

<b>Term</b>	<b>Closing balance</b>	Opening balance
Within one year		
Over one year but not more than two years	<b>474,153,100.00</b>	321,592,487.50
Over two years not more than five years	<b>183,622,432.31</b>	73,806,212.50
Total	<b>657,775,532.31</b>	395,398,700.00

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXVI) Long-term payables

<u>Nature of payment</u>	<u>Closing balance</u>	<u>Opening balance</u>
Special payables	<u>7,000,000.00</u>	<u>7,000,000.00</u>
Total	<u><b>7,000,000.00</b></u>	<u><b>7,000,000.00</b></u>

*Including: Special payables*

<u>Item</u>	<u>Opening balance</u>	<u>Increase for the period</u>	<u>Decrease for the period</u>	<u>Closing balance</u>	<u>Source</u>
Appropriations for projection tube business	<u>7,000,000.00</u>			<u>7,000,000.00</u>	
Total	<u><b>7,000,000.00</b></u>			<u><b>7,000,000.00</b></u>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXVII) Estimated liabilities

Item	Opening balance	Increase	Decrease	Closing balance	Source
Pending lawsuits	3,809,262.97		3,809,262.97		
Total	<u>3,809,262.97</u>		<u>3,809,262.97</u>		

#### (XXVIII) Deferred income

##### 1. Deferred income by category

Item	Opening balance	Increase	Decrease	Closing balance	Source
Government grants	81,475,121.13		1,312,875.54	<u>80,162,245.59</u>	
Total	<u>81,475,121.13</u>		<u>1,312,875.54</u>	<u>80,162,245.59</u>	



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXVIII) *Deferred income (Continued)*

##### 2. *Projects with government grants*

Project	Opening balance	New grants during the period	Amount included in profit or loss during the period	Other changes	Closing balance	Related to assets/related to income
Special project on solar photovoltaic and semiconductor lighting development in Shaanxi Province	6,471,666.70				<b>6,471,666.70</b>	Related to assets
Project on the Display Devices Engineering and Technical Research Center in Shaanxi Province	34,165.90				<b>34,165.90</b>	Related to assets
Project on research and development and industrialization of phosphor powder for LCD backlight CCFLs	25,301.18				<b>25,301.18</b>	Related to assets
Project on research and development and industrialization of phosphor powder for high-performance PDP	279,193.92				<b>279,193.92</b>	Related to assets
Project on research and development and industrialization of photoreceptive electrode pulps for PDP	5,959,766.61		537,526.62		<b>5,422,239.99</b>	Related to assets
Project on research and development and industrialization of LED devices with high photosynthetic efficiency and colour rendering and low colour temperature and power	206,616.42				<b>206,616.42</b>	Related to assets
Project on research and development and application of technologies on phosphor powder for tri-phosphor energy-saving lamps with small particles and low consumption and its industrialization	2,430,000.00				<b>2,430,000.00</b>	Related to assets
Local government incentives	65,568,410.40		775,348.92		<b>64,793,061.48</b>	Related to assets
Project on anode materials for high-end power ternary cells	500,000.00					Related to assets
<b>Total</b>	<b>81,475,121.13</b>		<b>1,312,875.54</b>		<b>80,162,245.59</b>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXIX) Share capital

Item	Opening balance	Increase/(decrease) (+, -) for the period				Subtotal	Closing balance
		Issue of new shares	Bonus issue	Shares transferred from reserve	Others		
H shares	630,881,400.00						630,881,400.00
Domestic shares	<u>1,601,468,000.00</u>						<u>1,601,468,000.00</u>
Total	<u>2,232,349,400.00</u>						<u>2,232,349,400.00</u>

#### (XXX) Capital reserve

Category	Opening balance	Increase	Decrease	Closing balance
I. Share premium	559,458,789.57			559,458,789.57
II. Other capital reserve	<u>384,072,654.53</u>			<u>384,072,654.53</u>
Total	<u>943,531,444.10</u>			<u>943,531,444.10</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXXI) Other comprehensive income

Item	Opening balance	Amount for the period			Less: Income tax	Attributable to the Company after tax	Attributable to minority interests after tax	Closing balance
		Amount before tax for the period	Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income	Amount in other comprehensive income				
I. Other comprehensive income that will not be reclassified to profit or loss	-118,935,262.85				-11,673,972.09		<b>-130,609,234.94</b>	
Including: Financial assets designated at fair value through other comprehensive income	-118,935,262.85				-11,673,972.09		<b>-130,609,234.94</b>	
II. Other comprehensive income that will be reclassified to profit or loss	446,549.39				23,703.76		<b>470,253.15</b>	
Including: Exchange differences on foreign currency translation	446,549.39				23,703.76		<b>470,253.15</b>	
Total other comprehensive income	-118,488,713.46				-11,650,268.33		<b>-130,138,981.79</b>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XXXII) Surplus reserve*

<u>Category</u>	<u>Opening balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Closing balance</u>
Statutory surplus reserve	22,477,267.06			22,477,267.06
Total	22,477,267.06			22,477,267.06

#### *(XXXIII) Undistributed profits*

<u>Item</u>	<u>Closing balance Amount</u>	<u>Percentage of appropriation or distribution</u>
Undistributed profits at end of last period before adjustment	<b>-2,953,332,667.89</b>	
Adjustment for undistributed profits at beginning of period ("+" for plus; "-" for less)		
Undistributed profits at beginning of period after adjustment	<b>-2,953,332,667.89</b>	
Add: Net profit attributable to owners of the Company during the period	<b>202,029,611.62</b>	
Less: Withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserve		
Dividend payable on ordinary shares		
Ordinary shares dividends transferred to share capital		
Undistributed profits at end of period	<b>-2,751,303,056.27</b>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XXXIV) Operating revenue and operating costs

Item	Amount for the period		Amount for the same period of the previous year	
	Revenue	Costs	Revenue	Costs
I. Sub-total of principal businesses	<b>1,148,086,553.01</b>	<b>962,808,239.96</b>	989,693,124.57	892,579,813.73
New materials	<b>176,706,106.83</b>	<b>157,398,457.36</b>	147,052,023.83	138,194,480.68
Photovoltaic glass	<b>445,016,560.48</b>	<b>313,623,642.04</b>	505,549,314.14	434,970,217.87
Solar cells and components	<b>439,979,793.69</b>	<b>415,268,357.47</b>	84,115,301.76	72,114,660.63
Revenue from power stations	<b>11,758,644.80</b>	<b>7,251,807.92</b>	4,317,632.95	738,297.14
Trading and others	<b>74,623,447.21</b>	<b>69,265,975.17</b>	248,658,851.89	246,562,157.41
II. Sub-total of other businesses	<b>19,194,380.42</b>	<b>5,745,783.34</b>	76,518,519.32	65,639,995.57
Revenue from sales of materials	<b>7,556,517.42</b>	<b>219,489.73</b>	65,050,945.04	60,886,852.92
Revenue from sales of scraps	<b>1,403,699.53</b>		3,046,701.70	683,760.69
Premises leasing	<b>5,962,388.40</b>	<b>2,424,118.41</b>	4,406,703.48	1,550,702.26
Utilities revenue	<b>3,102,830.37</b>	<b>3,102,175.20</b>		
Others	<b>1,168,944.7</b>		4,014,169.10	2,518,679.70
<b>Total</b>	<b><u>1,167,280,933.43</u></b>	<b><u>968,554,023.30</u></b>	<b><u>1,066,211,643.89</u></b>	<b><u>958,219,809.30</u></b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XXXV) Taxes and surcharges*

Item	Amount for the period	Amount for the same period of the previous year
Municipal maintenance tax	1,034,510.38	926,784.80
Education surcharge	508,266.90	654,066.45
Real estate tax	2,827,888.51	1,237,841.14
Water conservancy construction funds	414,512.32	560,272.88
Land use tax	1,032,425.04	1,926,713.63
Others	1,955,271.99	691,467.98
Total	<b>7,772,875.14</b>	<b>5,997,146.88</b>

#### *(XXXVI) Selling expenses*

Item	Amount for the period	Amount for the same period of the previous year
Transportation costs	27,342,459.74	35,991,438.94
Payroll	2,643,455.2	2,447,841.26
Consultancy expenses	1,609,421.62	
Traveling expenses	961,055.65	704,819.32
Commission	802,415.04	
Advertisement fees	691,075.58	272,946.42
Packaging expenses	363,733.02	278,854.37
Business fees	279,286.18	195,382.74
Others	2,486,753.35	3,393,959.88
Total	<b>37,179,655.38</b>	<b>43,285,242.93</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XXXVIII) Administrative expenses*

Item	Amount for the period	Amount for the previous period
Payroll	<b>14,782,908.19</b>	14,095,875.74
Repair maintenance expenses	<b>11,212,142.92</b>	13,729,165.79
Loss on shutdown	<b>6,163,395.98</b>	
Lease payments	<b>558,283.73</b>	83,192.88
Depreciation	<b>6,455,314.19</b>	7,706,338.21
Consultancy expenses	<b>1,036,414.13</b>	657,813.25
Amortisation of intangible assets	<b>2,890,306.44</b>	3,026,959.51
Traveling expenses	<b>1,145,075.34</b>	822,514.90
Amortisation of long-term deferred expenses	<b>1,787,307.86</b>	
Environmental protection expenses	<b>181,534.75</b>	366,799.05
Pre-operating expenses	<b>392,258.59</b>	
Insurance	<b>151,866.87</b>	132,153.03
Others	<b>3,258,699.61</b>	6,817,398.42
Total	<b>50,015,508.60</b>	47,438,210.78

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XXXVIII) Research and development expenses*

Item	Amount for the period	Amount for the previous period
Technical development expenses	<b>18,331,534.54</b>	3,456,302.65
Total	<b>18,331,534.54</b>	3,456,302.65

#### *(XXXIX) Finance costs*

Item	Amount for the period	Amount for the previous period
Interest costs	<b>39,498,006.12</b>	33,258,484.42
Less: Interest income	<b>782,621.13</b>	1,979,518.17
Exchange losses	<b>1,016,056.92</b>	829,348.75
Less: Exchange gains	<b>7,144,004.02</b>	1,760,444.52
Procedures expenses	<b>677,069.86</b>	175,022.68
Other expenses	<b>607,051.41</b>	451,475.63
Total	<b>33,871,559.16</b>	30,974,368.79



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**(XL) Asset impairment losses**

Item	Amount for the period	Amount for the previous period
Losses on bad debts	<b>695,722.81</b>	5,378,796.26
Losses on decline in the value of inventory		-266,590.73
Losses on impairment of fixed assets		-1,654,646.37
Total	<b>695,722.81</b>	3,457,559.16

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLI) Other incomes*

Item	Amount for the period	Amount for the previous period	Related to assets/related to income
Infrastructure subsidies	26,127,225.00		Related to income
Incentives on implementation of "Replacement of Labors with Machinery"	1,514,900.00		Related to income
Special incentives on promoting stable industrial growth and improving investment returns in 2016	1,000,000.00		Related to income
Research and development and industrialization of photoreceptive electrode pulps for PDP	798,994.20		Related to assets
Local government incentives	775,348.92	775,348.92	Related to assets
Industry supporting funds			Related to income
Policy on Promoting the Development of New-type Industrialization of Hefei City in 2016		9,516,700.00	Related to income
Financial incentives under the Policy on Promoting the Development of New- type Industrialization of Hefei City in 2016		7,208,629.79	Related to income
Research and development and industrialization of phosphor powder for LCD backlight CCFLs		1,102,293.88	Related to assets
Government grants (relocation compensation)		368,913.20	Related to assets
Sub-total	<u>716,212.52</u>	<u>608,707.68</u>	
Total	<u><u>30,932,680.64</u></u>	<u><u>19,580,593.47</u></u>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLII) Investment gains*

Category	Amount for the period	Amount for the previous period
Long-term equity investment gains measured under equity method	<b>-230,771.66</b>	-13,383,525.65
Investment revenue from disposal of subsidiaries	<b>144,153,897.33</b>	24,186,061.32
Investment income from disposal of financial assets at fair value through profit and loss of the period	<b>336,894.91</b>	
Others		571,271.24
Total	<b>144,260,020.58</b>	11,373,806.91

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLIII) Gains from changes in fair value*

The source of gains from changes in fair value	Amount for the period	Amount for the previous period
Financial assets at fair value through profit and loss of the period	215,036.56	
Total	215,036.56	

#### *(XLIV) Gains from disposal of assets*

Item	Amount for the period	Amount for the previous period
Losses from disposal of fixed assets not classified as held for sale		-509,510.28
Total		-509,510.28

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XLV) Non-operating income

1. List of non-operating income

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains on debt restructuring	<b>20,000.00</b>	25,631,147.22	20,000.00
Others	<b>77,298.86</b>	8,675,898.34	77,298.86
Total	<b>97,298.86</b>	34,307,045.56	97,298.86

#### (XLVI) Non-operating expenses

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
External donation		30,000.00	
Others	<b>87,857.45</b>	2,568,907.22	87,857.45
Total	<b>87,857.45</b>	2,598,907.22	87,857.45

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (XLVII) Income tax expenses

##### 1. Details of income tax expenses

<b>Item</b>	<b>Amount for the period</b>	Amount for the previous period
Income tax expenses for the current period calculated by the tax laws and relevant laws	<b>5,073,386.26</b>	1,285,004.77
Deferred income tax expenses	<b>34,831.70</b>	2,000,053.55
<b>Total</b>	<b>5,108,217.96</b>	3,285,058.32

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLVII) Income tax expenses (Continued)*

2. *Adjustment of accounting profit and income tax expenses*

<b>Item</b>	<b>Amount</b>
Total profit	226,277,233.69
Income tax expenses calculated based on the statutory/applicable tax rate	56,569,308.42
Impact of different applicable tax rates to subsidiaries	-5,344,728.97
Impact of income tax for the period before adjustment	-638,494.32
Impact of non-taxable income	-15,495,357.78
Impact of cost, expenses and losses not deductible for tax	-552,631.78
Impact of deductible temporary differences or deductible loss of deferred income tax assets not recognized at the beginning of the period	-30,132,470.70
Impact of deductible temporary differences and deductible loss of deferred income tax assets not recognized for the period	702,593.09
Income tax expenses	5,108,217.96

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLVIII) Supplementary information on statement of cash flows*

1. *Supplementary information on statement of cash flows*

Items	Amount for the period	Amount for the prior period
<b>1.Reconciliation of net profit as cash flows from operating activities:</b>		
Net profit	<b>221,169,015.73</b>	32,250,973.52
Add: Provision for impairment of assets	<b>695,722.81</b>	3,457,559.16
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of bearer biological assets	<b>34,212,731.17</b>	47,352,604.37
Amortisation of intangible assets	<b>4,256,060.97</b>	
Amortisation of long-term prepaid expenses	<b>1,787,307.86</b>	944,263.50
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)		
Loss on retirement of fixed assets ("-" denotes gain)		
Loss on changes in fair value ("-" denotes gain)	<b>-215,036.56</b>	



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLVIII) Supplementary information on statement of cash flows (Continued)*

##### 1. *Supplementary information on statement of cash flows (Continued)*

Items	Amount for the period	Amount for the prior period
Finance expenses ("-" denotes gain)	<b>39,498,006.12</b>	45,250,821.41
Investment loss ("-" denotes gain)	<b>-144,260,020.58</b>	-11,373,806.91
Decrease in deferred income tax assets ("-" denotes increase)	<b>86,250.39</b>	
Increase in deferred income tax liabilities ("-" denotes decrease)	<b>56,482.14</b>	506,466.64
Decrease in inventories ("-" denotes increase)	<b>73,053,587.45</b>	-53,974,523.01
Decrease in operating receivables ("-" denotes increase)	<b>-514,261,447.18</b>	-113,633,648.37
Increase in operating payables ("-" denotes decrease)	<b>316,241,181.62</b>	-132,940,621.86
Others		-144,116.05
Net cash flows from operating activities	<b>32,319,841.94</b>	-182,304,027.60

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLVIII) Supplementary information on statement of cash flows (Continued)*

1. *Supplementary information on statement of cash flows (Continued)*

Items	Amount for the period	Amount for the prior period
<b>2. Major investing and financing activities not involving cash settlements</b>		
Conversion of debts to capital		
Convertible corporate bonds mature within one year		
Fixed assets acquired under finance lease		
<b>3. Net changes in cash and cash equivalents</b>		
Closing balance of cash	92,803,188.20	87,057,030.83
Less: Opening balance of cash	233,413,663.85	378,233,625.43
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-140,610,475.65	-291,176,594.60

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLVIII) Supplementary information on statement of cash flows (Continued)*

2. *Net cash received from disposal of subsidiaries in the period*

<b>Items</b>	<b>Amount</b>
Cash and cash equivalents received from disposal of subsidiaries in the period	
Including: Zhuhai Caizhu	
Less: Cash and cash equivalents held by subsidiaries on the date of loss of control	36,489,783.4
Including: Zhuhai Caizhu	36,489,783.4
Net cash received from disposal of subsidiaries	-36,489,783.4

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### *(XLVIII) Supplementary information on statement of cash flows (Continued)*

##### 3. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	<b>92,803,188.20</b>	233,413,663.85
Including: Cash on hand	<b>5,268.37</b>	8,158.15
Bank deposits readily available for payment	<b>92,797,919.83</b>	219,391,337.80
Other monetary funds readily available for payment		14,014,167.90
II. Cash equivalents		
III. Balance of cash and cash equivalents as at end of period	<b>92,803,188.20</b>	233,413,663.85

#### *(XLIX) Assets with restricted ownerships or right to use*

Items	Closing carrying amount	Reason for such restrictions
Monetary funds	<b>230,939,402.15</b>	Bills and L/C deposits
Monetary funds	<b>3,643,523.89</b>	Frozen bank deposits
Bills receivable	<b>274,437,597.55</b>	Pledge of bills
Other investment in equity instruments	<b>249,752,251.38</b>	Equity pledged borrowings
Fixed assets	<b>146,158,911.52</b>	Mortgage loan
Intangible assets	<b>136,056,477.38</b>	Mortgage loan
Total	<b>1,040,988,163.87</b>	-

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### (L) Foreign currency items

##### 1. Foreign currency items

Items	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			
Including: USD	1,638,631.29	6.6166	10,842,167.79
EUR	1,428,434.51	7.6515	10,929,666.65
HKD	86,845.62	0.8431	73,219.55
Accounts receivable	13,261,988.93		100,755,240.58
Including: USD	694,625.29	6.6166	4,596,057.69
EUR	12,567,363.64	7.6515	96,159,182.89

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XI. CHANGE IN SCOPE OF CONSOLIDATION

#### (I) Disposal of equity interests in subsidiaries in the period

##### 1. Loss of control over investment in subsidiaries in a single disposal

Name of subsidiary	Consideration for disposal of equity interest	Percentage of disposal of equity interests	Method for disposal of equity interests	Timing of losing control	Basis for determination of timing of losing control	Difference between consideration for disposal and net assets of the subsidiary attributable to the Company under consolidated financial statements	Proportion of remaining equity interest at the date of loss of control	Book value of remaining equity interest at the date of loss of control	Fair value of remaining equity interest at the date of loss of control	Gain or loss arising from the remaining equity interest re-measured at fair value	Recognition and assumption for fair value of remaining equity interest at the date of loss of control	Profit or loss arising from transformation of other comprehensive income which is related to equity investment of former subsidiary
Zhuhai Caizhu	131,882,093.71	51%	Disposal	2018.5.31	Handover of management right and right to earnings	73,518,487.64	49%	56,074,837.21	126,710,246.90	70,635,409.69	Valuation report based on asset-based approach	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VII. INTERESTS IN OTHER ENTITIES

#### (I) Interests in subsidiaries

##### 1. Composition of enterprise group

Name of subsidiary	Place of registration	Principal place of business	Nature of business	Shareholding ratio (%)		Method for acquisition
				Direct	Indirect	
Shaanxi New Material	Xianyang, Shaanxi	Xianyang, Shaanxi	Production and sales of fluorescent powder for color picture tube	47.89	28.42	Investment in establishment
Hanzhong Jiarunze	Hanzhong, Shaanxi	Hanzhong, Shaanxi	Mining exploration	51.00		Business combination not involving enterprises under common control
Hefei Photovoltaic	Hefei, Anhui	Hefei, Anhui	Production and sales of PV glass	100.00		Investment in establishment
Electronics Hong Kong	Hong Kong	Xianyang, Shaanxi	Investment holding	100.00		Investment in establishment
Green Energy	Xianyang, Shaanxi	Xianyang, Shaanxi	Operation of solar photovoltaic power stations	100.00		Investment in establishment
Nanjing New Energy	Nanjing, Jiangsu	Nanjing, Jiangsu	Operation of solar photovoltaic power stations	100.00		Investment in establishment
Yan'an New Energy	Yan'an, Shaanxi	Yan'an, Shaanxi	Production and sales of PV glass, Operation of solar photovoltaic power stations	100.00		Investment in establishment
Jiangsu Yongneng	Zhangjiagang, Jiangsu	Zhangjiagang, Jiangsu	Solar cells, solar cell modules	51.00		Business combination not involving enterprises under common control
Xinneng Glass	Xianyang, Shaanxi	Xianyang, Shaanxi	Production and sales of inorganic non-metallic materials and products	100.00		Investment in establishment

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### (I) Interests in subsidiaries (Continued)

##### 2. Significant non-wholly owned subsidiaries

No.	Name of subsidiary	Minority shareholder's shareholding ratio	Profit or loss attributable to minority interests in the current period	Dividends distributed to minority shareholder in the current period	Accumulated closing balance of minority interests
1	Shaanxi New Material	23.69%	3,712,346.14		58,539,298.85
2	Hanzhong Jiarunze	49.00%	-633,403.86		6,840,291.52
3	Jiangsu Yongneng	49.00%	5,269,307.25		58,020,759.03

##### 3. Financial information of significant non-wholly owned subsidiaries (other than those classified as held for sale)

Name of subsidiary	Closing balance					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Shaanxi New Material	377,855,726.49	17,844,658.73	395,700,385.22	83,267,342.92	65,327,517.41	148,594,860.33
Hanzhong Jiarunze	9,865,244.89	55,438,399.18	65,303,644.07	51,343,865.45		51,343,865.45
Jiangsu Yongneng	571,007,130.15	162,200,075.31	733,207,205.46	588,272,596.22	26,524,896.97	614,797,493.19



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### (I) Interests in subsidiaries (Continued)

3. Financial information of significant non-wholly owned subsidiaries (other than those classified as held for sale) (Continued)

Name of subsidiary	Current assets	Opening balance		Current liabilities	Non-current liabilities	Total liabilities
		Non-current assets	Total assets			
Shaanxi New Material	375,250,167.60	18,152,029.69	393,402,197.29	96,202,148.20	65,765,044.03	161,967,192.23
Hanzhong Jiarunze	7,244,334.57	57,302,296.85	64,546,631.42	49,294,191.85		49,294,191.85
Jiangsu Yongneng	451,649,618.72	123,354,258.51	575,003,877.23	466,788,573.03	559,280.19	467,347,853.22

Name of subsidiary	Amount for the period			Cash flow from operating activities
	Operating income	Net profit	Total comprehensive income	
Shaanxi New Material	200,186,189.43	15,670,519.83	15,670,519.83	-13,603,537.17
Hanzhong Jiarunze	7,293,290.97	-1,292,660.95	-1,292,660.95	3,375,693.67
Jiangsu Yongneng	449,393,489.09	10,753,688.26	10,753,688.26	30,277,294.97

Name of subsidiary	Amount for the prior period			Cash flow from operating activities
	Operating income	Net profit	Total comprehensive income	
Shaanxi New Material	268,429,245.02	1,458,115.57	1,458,115.57	-15,125,885.62
Hanzhong Jiarunze		-2,896,921.63	-2,896,921.63	-108,250.11
Jiangsu Yongneng	829,778,998.83	19,432,725.83	19,432,725.83	29,135,949.05

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### (II) Interests in joint ventures or associates

##### 1. Basic information on significant joint ventures or associates

Name of company	Short name	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Accounting method for investment
					Direct	Indirect	
Shenmu Caijing Photovoltaics Power Generation Co., Ltd. (神木彩景光伏發電有限公司)	Shenmu Caijing	Shenmu, Shaanxi	Shenmu, Shaanxi	Construction and operation of new energy power stations	50.00		Equity method
Yangjiang IRICO Shenggao Green Energy Co., Ltd. (陽江彩虹勝高綠色能源有限公司)	Yangjiang IRICO	Yangjiang, Guangdong	Yangjiang, Guangdong	Construction and operation of new energy power stations	49.00		Equity method
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	Liquan IRICO	Liquan, Shaanxi	Liquan, Shaanxi	Construction and operation of new energy power stations	49.00		Equity method
IRICO New Energy (Changwu) Co., Ltd. (長武彩虹新能源有限公司)	Changwu IRICO	Changwu, Shaanxi	Changwu, Shaanxi	Construction and operation of new energy power stations	49.00		Equity method
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	Wuhan IRICO	Wuhan, Hubei	Wuhan, Hubei	Construction and operation of new energy power stations	49.19		Equity method
Zuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司)	Zuhai Caizhu	Zuhai, Guangdong	Zuhai, Guangdong	Production of electronic devices and spare parts	49.00		Equity method

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### (II) Interests in joint ventures or associates (Continued)

2. Basic information on significant joint ventures (other than those classified as held for sale)

Unit: RMB0'000

Investee	Closing balance/ Amount for the period Shenmu Caijing	Opening balance/ Amount for the prior period Shenmu Caijing
Current assets	362.12	368.29
Including: cash and cash equivalents	22.12	26.92
Non-current assets	6,740.00	6,740.00
Total assets	7,102.12	7,108.29
Current liabilities	1.24	4.16
Non-current liabilities		
Total liabilities	1.24	4.16
Minority interests		
Equity attributable to shareholders of the Company	7,100.88	7,104.13
Net assets share calculated by percentage of shareholding	3,550.44	3,552.06
Book value of equity investment in joint ventures	3,550.44	3,552.06
Finance expenses	0.03	-0.09931
Income tax expenses		
Net profit	-33,120.70	-54.10
Total comprehensive income	<u>-33,120.70</u>	<u>-54.10</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### (II) Interests in joint ventures or associates (Continued)

##### 3. Basic information on significant associates

Unit: RMB'000

Items	Closing balance/Amount for the period					Opening balance/Amount for the prior period				
	Yangjiang IRICO	Liquan IRICO	Changwu IRICO	Wuhan IRICO	Zhuhai Caizhu	Yangjiang IRICO	Liquan IRICO	Changwu IRICO	Wuhan IRICO	Zhuhai Caizhu
Current assets	152.34	170.98	119.62	1,212.88	25,907.09	175.48	166.40	65.86	351.05	25,816.07
Including: cash and cash equivalents	152.34	9.67	119.06	0.74	1,681.46	175.48	37.58	65.86	228.21	2,628.37
Non-current assets	2.88	928.43	537.79	1,274.74	2,176.35	2.72	959.72	533.95	754.87	2,014.07
Total assets	155.21	1,099.41	657.41	2,487.62	28,083.45	178.20	1,126.12	599.81	1,105.92	27,830.15
Current liabilities	2.70	366.58	58.00	191.89	16,638.29	3.07	418.15	306.00	112.37	16,458.61
Non-current liabilities		30.34								
Total liabilities	2.70	396.92	58.00	191.89	16,638.29	3.07	418.15	306.00	112.37	16,458.61
Equity attributable to shareholders of the Company	152.51	702.49	599.41	2,295.73	11,445.16	175.12	707.97	599.81	2,312.27	11,371.53
Net assets share calculated by percentage of shareholding	74.73	344.22	293.71	1,129.27	5,608.13	85.81	346.91	293.91	1,137.41	5,572.05
Operating income		28.81		52.29	3,689.05		58.00			25,207.61
Finance expenses	-0.18	0.01	0.02	-0.05	-70.20	-0.20	0.02	0.01	0.18	-4.35
Income tax expenses										
Net profit	-5.73	-5.48	-0.46	-16.54	73.63	-24.88	2.77	-0.19	-5.53	132.74
Total comprehensive income	-5.73	-5.48	-0.46	-16.54		-24.88	2.77	-0.19	-5.53	132.74

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include bank loans, other interest-bearing loans, monetary funds, etc. The main purpose of these financial instruments is to finance the operation of the Company. The Company has a variety of other financial assets and liabilities directly arising from operations including accounts receivable and accounts payable.

The main risks caused by the Company's financial instruments are credit risk, liquidity risk and market risk.

#### 1. Classification of financial instruments

- (1) *The book value of various financial assets as at the balance sheet date is as follows:*

Financial assets	Financial assets at fair value through profit or loss	Closing balance		Total
		Loans and receivables	Financial assets designated at fair value through other comprehensive income	
Bills receivable		313,800,203.58		313,800,203.58
Accounts receivable		937,699,473.08		937,699,473.08
Other receivables		79,288,147.70		79,288,147.70
Held-for-trading financial assets	991,157.72			991,157.72
Other investment in equity instruments			352,768,509.19	352,768,509.19

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Classification of financial instruments (Continued)

(1) The book value of various financial assets as at the balance sheet date is as follows: (Continued)

Financial assets	Financial assets at fair value through profit and loss	Loans and receivables	Opening balance	Total
			Financial assets designated at fair value through other comprehensive income	
Bills receivable	438,566,911.32			438,566,911.32
Accounts receivable	504,399,945.16			504,399,945.16
Other receivables	53,949,968.87			53,949,968.87
Other investment in equity instruments			364,442,481.28	364,442,481.28

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Classification of financial instruments (Continued)

(2) The book value of various financial liabilities as at the balance sheet date is as follows:

Financial liabilities	Closing balance		Opening balance	
	Financial liabilities at fair value through profit and loss	Other financial liabilities	Financial liabilities at fair value through profit and loss	Other financial liabilities
		Total		Total
Short-term borrowings	346,087,681	346,087,681	557,298,613.98	557,298,613.98
Bills payable	558,288,127.76	558,288,127.76	566,500,363.01	566,500,363.01
Accounts payable	914,645,526.94	914,645,526.94	748,485,746.95	748,485,746.95
Other payables	1,661,594,761.37	1,661,594,761.37	1,490,611,158.91	1,490,611,158.91
Non-current liabilities mature within one year	<u>201,928,531.16</u>	<u>201,928,531.16</u>	<u>222,729,511.26</u>	<u>222,729,511.26</u>
Long-term borrowings	<u>657,775,532.31</u>	<u>657,775,532.31</u>	<u>395,398,700.00</u>	<u>395,398,700.00</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 2. *Credit risk*

Credit risk refers to the risk that the party of a financial instrument does not fulfill its obligations and creates financial losses on the other side. Credit risk is managed on a group basis. Credit risk mainly arises from bank deposits, derivative financial instruments and accounts receivable.

The Company's bank deposits are mainly deposited with state-owned banks and other large and medium-sized banks. The Company does not expect significant credit risk against bank deposits.

For accounts receivable, the Company has policies to control the credit exposure. The Company assesses the credit quality of and sets credit limit and period for debtors, by taking into account their financial position, external rating, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the debtors is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent. Debtors of the accounts receivables are customers engaged in different industries and based in different regions. The Group continually conducts credit assessment on the financial position of the accounts receivable, and secure credit guarantee insurance as appropriate.

For the quantitative data of credit risk exposure of the Company arising from accounts receivable and other receivables, please refer to "Note V. (3)" and "Note V. (5)".



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 3. Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

In managing liquidity risk, the Company ensures to monitor the cash and cash equivalent the management considered as sufficient, in order to meet the Company's needs for operation, and lower the effects from fluctuation of cash flow. The management monitors the usage of bank borrowings, and ensures compliance with the borrowing agreements. At the same time, the Company secures adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The financial liabilities held by the Company at end of period are analysed at terms of the remaining undiscounted contractual cash flows as follows:

Items	Closing balance				Total
	Within 1 year	1-2 years	2-3 years	Over 3 years	
Short-term borrowings	346,087,681.00				346,087,681.00
Bills payable	558,288,127.76				558,288,127.76
Accounts payable	864,326,206.09	6,792,766.07	11,280,261.94	32,246,292.84	914,645,526.94
Other payables	721,853,836.47	73,932,313.98	213,715,029.81	652,093,581.11	1,661,594,761.37
Non-current liabilities due					
within one year	<u>201,928,531.16</u>				<u>201,928,531.16</u>
Long-term borrowings		<u>474,153,100.00</u>	<u>161,122,432.31</u>	<u>22,500,000.00</u>	<u>657,775,532.31</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 4. *Market risk*

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes interest rate risk, exchange risk and other price risk.

##### (1) *Interest rate risk*

Interest rate risk is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market interest rate.

The Company's risk of changes in market interest rates is mainly related to the long-term liabilities that accrue interests at floating interest rates.

The Company manages interest costs by maintaining appropriate fixed rate debts.

##### (2) *Exchange rate risk*

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 4. *Market risk (Continued)*

##### (2) *Exchange rate risk (Continued)*

The exchange rate risk that the Company is exposed to is mainly related to the operating activities of the Company (when income and expenses are settled with the currencies other than the functional currency of the Company).

The Company is exposed to transactional exchange rate risk which is attributable to sales by the operating entity in currency other than its functional currency. The overseas business of the Company is denominated in the currency other than the functional currency of the operating entity which carries out sales, and the cost is denominated in the functional currency of the operating entity. The Company's foreign currency from sales is generally directly accounted for in RMB through settlement of exchange so as to control exchange rate risk.

Relevant foreign currency assets and foreign currency liabilities include: monetary funds denominated in foreign currencies, accounts receivable, etc. As at 30 June 2018, details of the amount of the Company's financial assets and financial liabilities denominated in foreign currencies which are translated into RMB are set out in "Note V (51)".

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***VIII. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)****5. *Other price risks***

For the shares of IRICO Display (stock code: 600707) which are publicly traded on the Shanghai Stock Exchange as held by the Company for the purpose of holding such shares, the Company presents such shares as other investment in equity instruments with the change in the fair value recognised as other comprehensive income, which has no impact on the net profit of the Company.

**6. *Capital management***

The goal of the Company's capital management policy is to ensure that the Group has the ability to continue its operations so as to provide returns to shareholders and benefit other stakeholders while maintaining the optimal capital structure to reduce the cost of capital.

The Company monitors the capital structure based on the gearing ratio (i.e. total liabilities divided by total assets). As at 30 June 2018, the Company's gearing ratio was 91.06% (31 December 2017: 94.74%).

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### IX. FAIR VALUE

#### (I) Analysis on assets and liabilities measured at fair value by fair value levels

Items	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Closing balance
I. Continuing fair value measurement				
(I) Held-for-trading financial assets				
1. Financial assets at fair value through profit and loss	991,157.72			
(1) Investment in equity instruments	991,157.72			
(II) Other investment in equity instruments				
1. Financial assets designated to be measured at fair value through other comprehensive income	249,752,251.38		103,016,257.81	<b>352,768,509.19</b>
(1) Investment in equity instruments	<u>249,752,251.38</u>		<u>103,016,257.81</u>	<u><b>352,768,509.19</b></u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### IX. FAIR VALUE (CONTINUED)

#### (II) *Basis for determining the market price of items persistently and non-persistently measured at fair value at the first level*

The Company's equity instruments which are persistently measured at fair value are shares which are publicly traded on the Shanghai Stock Exchange. The Company takes the public trading price of the shares as at 30 June 2018 as the fair value for the current day.

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

#### (I) *The parent company of the Company*

Name	Place of registration	Nature of Business	Registered Capital	Percentages of shareholding in the Company	Percentages of voting rights in the Company
				held by the parent company (%)	held by the parent company (%)
IRICO Group Company Limited* (彩虹集團有限公司)	Beijing	Production and sales of electronic components	2,517,167,000	71.74	71.74

*Notes:* The ultimate controller of the Company is China Electronics Corporation\*.

## **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### **X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

#### ***(II) Information on the subsidiaries of the Company***

Please refer to Note “VII. Interest in other entities” for details.

#### ***(III) Information on associates and joint ventures of the Company***

Please refer to Note “VII. Interest in other entities” for details of the major associates and joint ventures of the Company.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (IV) Information on other related parties of the Company

Name of other related parties	Relationship between other related party and the Company
Hefei IRICO Epilight Technology Co., Ltd. (合肥彩虹藍光科技有限公司)	Same parent company
Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司)	Same parent company
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Same parent company
China Electronics Corporation (中國電子信息產業集團有限公司)	De facto controller
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	Same de facto controller
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Same de facto controller
Nanjing Panda Television Co. Ltd. (南京熊貓電視機有限公司)	Same de facto controller
Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	Same de facto controller
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司)	Same de facto controller
Nanjing CEC Panda LCD Technology Co., Ltd. (南京中電熊貓液晶顯示科技有限公司)	Same de facto controller
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	Same de facto controller
Shenzhen Aihua Power Battery Co., Ltd. (深圳市愛華動力電池有限公司)	Same de facto controller
Xi'an IRICO Information Co., Ltd (西安彩虹資訊有限公司)	Same de facto controller



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (IV) Information on other related parties of the Company (Continued)

Name of other related parties	Relationship between other related party and the Company
Xianyang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	Same de facto controller
Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	Same de facto controller
Xianyang IRICO Labour Service Company (咸陽彩虹集團勞動服務公司)	Same de facto controller
Xianyang IRICO Thermoelectricity Co., Ltd.	Same de facto controller
Xianyang IRICO Hospital (咸陽彩虹醫院)	Same de facto controller
Xianyang Zhongdian IRICO Properties Management Co., Ltd. (咸陽中電彩虹物業管理有限公司)	Same de facto controller
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	Same de facto controller
China Electronics System Engineering No. 3 Construction Co., Ltd. (中國電子系統工程第三建設有限公司)	Same de facto controller
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	An associated company of shareholders
Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司)	Other related relationship
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.* (咸陽彩虹光伏科技有限公司)	Other related relationship
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Other related relationship
Xianyang Caiqin Electronics Device Co., Ltd. (咸陽彩秦電子器件有限責任公司)	Other related relationship

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions

##### 1. Purchase and sales of goods/receipt and provision of services

Name of related parties	Type	Subject	Pricing methods and decision-making process	Amount for the period		Amount for the same period last year	
				Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)
For sales of products and rendering of services:							
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Sales of products	Electricity charge	Market price	3,102,175.20	50.21	2,812,098.33	75.95
Hefei IRICO Epilight Technology Co., Ltd. (合肥彩虹蓝光科技有限公司)	Sales of products	Sales of goods	Market price			116,777.77	0.02
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Sales of products	Sales of goods	Market price	13,244,582.46	100	4,399,681.45	100.00
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司)	Sales of products	Electricity charge	Market price	944,764.19	15.29	870,329.08	23.51
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司)	Sales of products	Sales of goods	Market price	14,019,392.00	60.09		
Nanjing CEC Panda LCD Technology Co., Ltd. (南京中電熊貓液晶顯示科技有限公司)	Sales of products	Sales of goods	Market price	9,310,400.00	39.91	1,728,000.00	1.18

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

1. Purchase and sales of goods/receipt and provision of services (Continued)

Name of related parties	Type	Subject	Pricing methods and decision-making process	Amount for the period		Amount for the same period last year	
				Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)
Xianyang IRICO Property Management Company Limited (咸陽彩虹物業管理有限公司)	Sales of products	Electricity charge	Market price			20,061.54	0.54
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Sales of products	Sales of goods	Market price	216,101.88	9.05	44,370.00	0.01
IRICO New Energy (Liquan) Co., Ltd. (禮泉彩虹新能源有限公司)	Rendering of service	Rendering of service	Market price	70,754.70	9.26		
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Sales of products	Disposal of fixed assets	Agreed price				
Panda Xinxing Industrial Co., Ltd. (南京熊貓新興實業有限公司)	Sales of products	Electricity charge	Market price	739,444.76	11.97		
IRICO New Energy (Wuhan) Co., Ltd. (武漢彩虹綠色能源有限公司)	Rendering of service	Rendering of service	Market price	169,811.32	22.22		
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Sales of products	Sales of materials	Market price	6,152,817.89	100.00		

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

1. Purchase and sales of goods/receipt and provision of services (Continued)

Name of related parties	Type	Subject	Pricing methods and decision-making process	Amount for the period		Amount for the same period last year		
				Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)	
For purchase of products and acceptance of services:								
IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Purchase of products	Electricity charge	Market price	57,706,127.01	5.99	20,890,148.89	98.83	
Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.* (咸陽彩虹光伏科技有限公司)	Purchase of products	Electricity charge	Market price	123,014.88	0.01	247,283.86	1.17	
Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	Purchase of products	Materials	Market price	25,241,868.16	15.88	12,595,347.72	100.00	
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	Purchase of products	Telephone bills	Market price	777,950.12	100	259,844.60	100.00	
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	Purchase of products	Utility fees	Market price	33,989,656.01	3.53	79,253,198.68	15.62	
Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	Purchase of products	Materials	Market price	16,978,991.36	1.76	21,479,958.62	4.23	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

1. Purchase and sales of goods/receipt and provision of services (Continued)

Name of related parties	Type	Subject	Pricing methods and decision-making process	Amount for the period		Amount for the same period last year	
				Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Purchase of products	Oil	Market price	625,821.38	0.06	1,539,994.10	0.30
Xianyang IRICO Hospital (咸陽彩虹醫院)	Rendering of service	Expenditure for medical examination	Market price	16,947.50	100		
Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	Purchase of products	Auxiliary materials	Market price	10,324,572.66	1.07	2,844,666.89	0.56
Hefei IRICO Epilight Technology Co., Ltd. (合肥彩虹藍光科技有限公司)	Purchase of products	Purchase of products	Market price				
Xianyang Photovoltaic Technology Co., Ltd. (咸陽光伏科技有限公司)	Purchase of products	Utility fees	Market price				
Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	Purchase of products	Property management fee	Market price	18,779.79	1.22	110,212.07	25.86
Xianyang China Electronics IRICO Property Management Co., Ltd. (咸陽中電彩虹物業管理公司)	Purchase of products	Property management fee	Market price	150,326.47	9.78	315,901.88	74.14

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

1. Purchase and sales of goods/receipt and provision of services (Continued)

Name of related parties	Type	Subject	Pricing methods and decision-making process	Amount for the period		Amount for the same period last year	
				Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Purchase of products	Property management fee	Market price	1,368,579.19	89.00		
China Electronics System Engineering No.2 Construction Co., Ltd. (中國電子系統工程第二建設有限公司)	Purchase of products	Equipment	Market price	1,650,000.00			
IRICO Group Company Limited* (彩虹集團有限公司)	Purchase of products	Interest on borrowings	Market price	10,483,642.10	26.54	9,836,115.59	29.57
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Purchase of products	Interest on borrowings	Market price	1,881,392.19	4.76	2,552,406.04	7.67
Xianyang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	Purchase of products	Interest on borrowings	Market price	30,680.41	0.08	65,920.35	0.20
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	Purchase of products	Interest on borrowings	Market price	10,057,512.33	25.46	3,425,407.53	10.30
Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	Purchase of products	Interest on borrowings	Market price	329,712.68	0.83		

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

##### 2. Leasing with related parties

Name of lessor	Name of lessee	Assets under lease	Income/fees	Income/fees
			recognized from leasing for the same period last year	recognized from leasing for the period
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	The Company	Premises leasing		<b>3,073,701.02</b>
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Shaanxi New Material	Premises leasing	540,321.48	<b>531,085.22</b>
Hefei Photovoltaic	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	Building and structures	2,173,024.50	<b>2,173,024.52</b>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

##### 3. Guarantee with related parties

Guarantor	Guaranteed parties	Amount of Guarantee	Balance of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Hefei Photovoltaic	50,000,000.00	20,000,000.00	2017/8/17	2018/8/17	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Hefei Photovoltaic	100,000,000.00	26,000,000.00	2017/11/13	2018/11/13	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Hefei Photovoltaic	300,000,000.00	161,220,000.00	2017/8/21	2024/8/21	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Hefei Photovoltaic	100,000,000.00	50,000,000.00	2017/11/13	2018/11/13	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) and IRICO Group Company Limited*	Hefei Photovoltaic	110,000,000.00	104,173,712.83	2018/3/28	2023/3/28	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) and IRICO Group Company Limited*	Hefei Photovoltaic	50,000,000.00	46,828,159.74	2018/3/28	2023/3/28	No
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司) and IRICO Group Company Limited*	Hefei Photovoltaic	50,000,000.00	46,828,159.74	2018/3/28	2023/3/28	No



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

##### 3. Guarantee with related parties (Continued)

Guarantor	Guaranteed parties	Amount of Guarantee	Balance of Guarantee	Commencement date	Maturity date	Whether the guarantee has been executed
The Company	Shaanxi New Material	50,000,000.00	49,800,000.00	2017/8/21	2019/8/21	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	70,000,000.00	70,000,000.00	2018/3/16	2019/3/15	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	50,000,000.00	50,000,000.00	2018/1/8	2019/1/8	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	50,000,000.00	50,000,000.00	2017/12/19	2018/12/19	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	50,000,000.00	50,000,000.00	2017/12/15	2018/12/14	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	50,000,000.00	50,000,000.00	2017/12/26	2018/12/26	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	50,000,000.00	50,000,000.00	2018/6/15	2020/6/12	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	100,000,000.00	100,000,000.00	2018/6/28	2018/6/28	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	300,000,000.00	285,938,000.00	2016/12/5	2019/12/15	No
Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩紅集團控股有限公司), IRICO Group Company Limited* (彩紅集團有限公司)	The Company	20,000,000.00	20,000,000.00	2018/1/22	2019/1/21	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	210,700,000.00	210,700,000.00	2016/7/1	2021/7/1	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	30,000,000.00	30,000,000.00	2016/7/1	2018/12/30	No
IRICO Group Company Limited* (彩紅集團有限公司)	The Company	100,000.00	100,000.00	2016/6/30	2018/12/30	No
<b>Total</b>		<b>1,790,800,000.00</b>	<b>1,471,588,032.31</b>			

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

##### 4. Borrowings from or lending to related parties

Related Party	Borrowing/ lending	Amount	Commencement date	Maturity date	Interest rate
IRICO Group Company Limited* (彩虹集團有限公司)	Borrowing	300,000,000.00	2018/1/1	2018/12/20	1.20%
IRICO Group Company Limited* (彩虹集團有限公司)	Borrowing	232,861,998.44	2018/1/1	2018/12/20	3.48%
IRICO Group Company Limited* (彩虹集團有限公司)	Borrowing	200,000,000.00	2017/9/1	2018/9/1	3.48%
IRICO Group Company Limited* (彩虹集團有限公司)	Borrowing	10,000,000.00	2018/1/1	2018/12/20	3.48%
IRICO Group Company Limited* (彩虹集團有限公司)	Borrowing	20,000,000.00	2018/5/2	2019/5/1	4.35%
IRICO Group Company Limited* (彩虹集團有限公司)	Borrowing	30,000,000.00	2018/1/17	2018/8/28	5.5%
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	Borrowing	106,114,055.83	2018/1/1	2018/12/20	3.48%
<b>Total</b>		<b>898,976,054.27</b>			

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (V) Related party transactions (Continued)

##### 5. Assets transfer and debts restructuring with related parties

Related Party	Transaction subject	Amount for the period		Amount for the same period last year	
		Amount	As a percentage of same type of transactions (%)	Amount	As a percentage of same type of transactions (%)
Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)					
	Disposal of equipment			29,729,838.85	88.59
Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)					
	Disposal of equity interest	<u>131,882,093.71</u>	<u>100</u>	<u>71,439,750.00</u>	<u>100</u>
IRICO Group Company Limited* (彩虹集團有限公司)					
	Gains from debt restructuring	<u>                    </u>	<u>                    </u>	<u>25,631,147.22</u>	<u>98.09</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (VI) Receivables from and payables to related parties

##### 1. Receivables from related parties

Item	Related Party	Closing balance		Opening balance	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Bills receivables	Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.* (咸陽彩虹光伏科技有限公司)			3,600,000.00	
Accounts receivables	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	11,795,234.93		48,178,836.18	
Accounts receivables	Nanjing CEC Panda LCD Technology Co., Ltd. (南京中電熊貓液晶顯示科技有限公司)	5,371,056.00		6,456,060.00	
Accounts receivables	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司)	6,320,629.74		6,784,011.00	
Accounts receivables	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	1,086,512.22			
Accounts receivables	Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	72,033.96			
Accounts receivables	Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	13,996,582.50			
Prepayments	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	901.60		1,284.64	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (VI) Receivables from and payables to related parties (Continued)

##### 1. Receivables from related parties (Continued)

Item	Related Party	Closing balance		Opening balance	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Prepayments	IRICO Group Company Limited* (彩紅集團有限公司)	792,846.21		792,846.21	
Prepayments	Xianyang IRICO Labour Service Company (咸陽彩紅勞動服務公司)	56,710.54		56,710.54	
Prepayments	Shaanxi IRICO Energy Services Corporation (陝西彩紅能源服務有限公司)	1,235,957.00		360,000.00	
Prepayments	China Electronics System Engineering No.2 Construction Co., Ltd. (中國電子系統工程第二建設有限公司)	1,650,000.00			
Prepayments	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃公司)	3,521,983.14			
Other receivables	Shaanxi IRICO Energy Services Corporation (陝西彩紅能源服務有限公司)	6,000.00		6,000.00	
Other receivables	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩紅集團控股有限公司)	131,900,963.71			
Other receivables	IRICO Group Company Limited* (彩紅集團有限公司)	5,092,240.72		7,784,284.44	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (VI) *Receivables from and payables to related parties (Continued)*

##### 1. *Receivables from related parties (Continued)*

Item	Related Party	Closing balance		Opening balance	
		Carrying amount	Allowance for bad debts	Carrying amount	Allowance for bad debts
Other receivables	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	<b>18,000,000.00</b>		18,000,000.00	
Other receivables	Xi'an IRICO Information Co., Ltd. (西安彩虹資訊有限公司)	<b>3,127,691.14</b>		3,127,691.14	
Other receivables	IRICO Liqun	<b>3,665,783.00</b>		3,565,783.00	
Other receivables	IRICO Changwu			3,060,000.00	
Other receivables	IRICO Wuhan	<b>875,735.85</b>			
Other receivables	Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司)	<b>3,060,000.00</b>			
Other non-current assets	China Electronics System Engineering No.2 Construction Co., Ltd. (中國電子系統工程第二建設有限公司)			550,000.00	
<b>Total</b>	-	<b><u>211,628,862.26</u></b>		<b><u>102,323,507.15</u></b>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (VI) Receivables from and payables to related parties (Continued)

##### 2. Payables to related parties

Item	Related Party	Closing balance	Opening balance
Short-term borrowings	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)		100,000,000.00
Short-term borrowings	China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	<b>421,110,000.00</b>	198,298,613.98
Bills payable	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	<b>42,000,000.00</b>	31,270,000.00
Bills payable	IRICO Display Devices Co., Ltd. (彩虹顯示器件股份有限公司)		1,358,000.00
Bills payable	Zhongdian Panda Trade Development Limited Company (南京中電熊貓貿易發展有限公司)	<b>11,200,000.00</b>	7,910,000.00
Bills payable	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	<b>27,335,400.23</b>	25,986,040.73
Bills payable	Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	<b>7,850,000.00</b>	4,550,000.00
Bills payable	China Electronics System Engineering No. 3 Construction Co., Ltd. (中國電子系統工程第三建設有限公司)	<b>532,000.00</b>	2,044,000.00
Accounts payable	IRICO (Hefei) LCD Glass Co., Ltd. (彩虹(合肥)液晶玻璃有限公司)	<b>20,118,509.77</b>	10,443,758.20

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (VI) *Receivables from and payables to related parties (Continued)*

##### 2. *Payables to related parties (Continued)*

Item	Related Party	Closing balance	Opening balance
Accounts payable	IRICO Group Company Limited* (彩虹集團有限公司)	1,508,252.71	1,637,767.80
Accounts payable	Xianyang IRICO Industry Company Limited (咸陽彩虹集團實業有限公司)	3,668,515.66	18,928.71
Accounts payable	Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子進出口有限公司)	1,849,574.68	1,757,400.00
Accounts payable	Nanjing CEC Panda Trading Co., Ltd. (南京中電熊猫貿易有限公司)	11,515,410.16	8,839,471.31
Accounts payable	Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司)		55,637,848.26
Accounts payable	Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司)	79.69	79.69
Accounts payable	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)	1,835,395.77	2,753,478.21
Accounts payable	Xi'an IRICO Information Co., Ltd (西安彩虹資訊有限公司)	780,708.17	780,708.17
Accounts payable	Xianyang IRICO Labour Service Company (咸陽彩虹勞動服務公司)	3,211.11	3,211.11
Accounts payable	Xianyang IRICO Hospital (咸陽彩虹醫院)	79,233.50	590,075.00



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (VI) Receivables from and payables to related parties (Continued)

##### 2. Payables to related parties (Continued)

Item	Related Party	Closing balance	Opening balance
Accounts payable	Xianyang Cailian Packaging Materials Co., Ltd. (咸陽彩聯包裝材料有限公司)	<b>4,013,383.75</b>	7,697,137.43
Accounts payable	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	<b>10,217,182.46</b>	10,461,656.71
Accounts payable	China Electronics System Engineering No. 3 Construction Co., Ltd. (中國電子系統工程第三建設有限公司)	<b>1,005,000.00</b>	408,000.00
Accounts payable	Xianyang Caiqin Electronics Device Co., Ltd. (咸陽彩秦電子器件有限責任公司)	<b>4,740,348.60</b>	4,740,348.60
Accounts payable	Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊猫物業管理有限公司)	<b>118,150.00</b>	
Accounts payable	Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.* (咸陽彩虹光伏科技有限公司)	<b>122,041.86</b>	
Receipts in advance	Shenmu Caijing	<b>35,400,000.00</b>	
Interest payable	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)		159,091.74

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (VI) *Receivables from and payables to related parties (Continued)*

##### 2. *Payables to related parties (Continued)*

Item	Related Party	Closing balance	Opening balance
Other payables	IRICO Group Company Limited* (彩虹集團有限公司)	<b>793,154,382.91</b>	763,167,011.10
Other payables	Xianyang Zhongdian IRICO Group Holdings Ltd. (咸陽中電彩虹集團控股有限公司)	<b>106,114,055.83</b>	157,135,922.12
Other payables	IRICO Display		58,662.82
Other payables	Kunshan IRICO Industry Co., Ltd. (昆山彩虹實業有限公司)	<b>42,312,873.50</b>	41,985,458.10
Other payables	Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司)		8,922.16
Other payables	Shaanxi IRICO Energy Services Corporation (陝西彩虹能源服務有限公司)		20,000.00
Other payables	Xianyang IRICO Electronic Accessories Co., Ltd. (咸陽彩虹電子配件有限公司)	<b>8,241,391.27</b>	8,645,073.00
Other payables	Xianyang IRICO Labour Service Company (咸陽彩虹勞動服務公司)		253.45
Other payables	China Electronics System Engineering No.2 Construction Co., Ltd. (中國電子系統工程第二建設有限公司)		50,000.00

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### X. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### (VI) *Receivables from and payables to related parties (Continued)*

##### 2. *Payables to related parties (Continued)*

Item	Related Party	Closing balance	Opening balance
Other payables	Hefei IRICO Epilight Industry Co., Ltd. (合肥彩虹藍光實業有限公司)	30,000.00	
Other payables	IRICO Wuhan	9,456,002.65	
Other payables	Zhuhai Caizhu	119,086,711.76	
Other non-current liabilities due within one year	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	30,100,000.00	60,200,000.00
Long-term borrowings	China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	310,700,000.00	210,700,000.00
Total	-	<u>2,026,197,816.52</u>	<u>1,719,316,918.40</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XI. COMMITMENTS AND CONTINGENCIES

#### (I) Commitments

The Company has entered into the business contracts, and the outstanding substantial payments as agreed are set out as below:

Project name	Contractual investment (RMB0'000)	<b>Investment recognized</b> <b>(RMB0'000)</b>	Investment not recognized (RMB0'000)
Hefei Photovoltaic Glass Project	101,627.26	<b>85,735.65</b>	15,891.61
Nanjing CEC Panda distributed power stations	4,573.34	<b>4,159.34</b>	414.00
Quartz sand mines integration and quartz sand plant construction project of IRICO Electronics	1,377.48	<b>1,321.92</b>	55.56
Solar photovoltaic glass furnace	65,202.39	<b>37,169.11</b>	28,033.28
<b>Total</b>	<b>172,780.47</b>	<b>128,386.02</b>	<b>44,394.45</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XII. OTHER SIGNIFICANT EVENTS

#### **(I) Segment Reporting**

1. *Preparation basis and accounting policy of the segment reporting*

The Company's operating segments are mainly based on the information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance, and focus on types of goods. The Company has the following four major operating segments: (a) solar photovoltaic business, (b) new materials business – production and sales of luminous materials and lithium battery anode materials, (c) trading business – trading of solar modules and other related accessories, and (d) others.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### (I) Segment Reporting (Continued)

##### 2. Financial information of the segment reporting

Unit: RMB'000

Amount for the period	Solar photovoltaic business	New materials business	Trading business	Others	Inter-segment eliminations
I. Operating revenue	89,444.50	17,670.61	7,413.59	2,648.67	-449.27
II. Operating cost	73,532.95	15,739.85	6,885.53	1,146.35	-449.27
III. Gain from investments in associates and joint ventures			-23.72	481.45	-480.81
IV. Asset impairment losses	-4.14	73.50			0.21
V. Depreciation and amortization	3,704.76	67.03	158.94	93.00	1.88
VI. Total profit	9,941.13	1,556.26	280.35	5,034.66	5,815.32
VII. Income tax expenses	510.82	-10.79			10.79
VIII. Net profit	9,430.31	1,567.05	280.35	5,034.66	5,804.53
IX. Total assets	<u>346,926.51</u>	<u>39,055.10</u>	<u>21,598.22</u>	<u>261,547.23</u>	<u>-164,444.11</u>
X. Total liabilities	<u>198,180.78</u>	<u>14,859.49</u>	<u>11,307.49</u>	<u>267,558.51</u>	<u>-32,334.08</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### (I) Segment Reporting (Continued)

##### 2. Financial information of the segment reporting (Continued)

Amount for the same period last year	Solar photovoltaic business	New materials business	Trading business	Others	Inter-segment eliminations
I. Operating revenue	59,398.22	14,705.20	24,980.35	7,537.39	
II. Operating cost	50,782.32	13,819.45	24,666.46	6,553.75	
III. Gain from investments in associates and joint ventures			-18.78	-1,319.57	
IV. Asset impairment losses	-3,175.97	160.84	245.50	-247.73	3,363.11
V. Depreciation and amortization	3,827.02	88.91	182.32		731.44
VI. Total profit	6,715.01	279.74	-160.83	-527.37	-2,752.94
VII. Income tax expenses	131.51	-17.91			214.90
VIII. Net profit	6,583.49	297.64	-160.83	-527.37	-2,967.84
IX. Total assets	-	-	-	-	-
X. Total liabilities	-	-	-	-	-

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***XII. OTHER SIGNIFICANT EVENTS (CONTINUED)*****(II) Proposed Non-Public Issue of Shares***

According to the announcements of the Company on 24 July 2017, 16 October 2017, 1 February 2018 and 18 April 2018 in relation to the issuance of new H shares, the Company will issue not more than 2.3 billion new H shares, and the proceeds to be raised therefrom will be used in Yan'an Photovoltaic Glass Project, Hefei Photovoltaic Glass Project (Phase II), Xianyang Photovoltaic Glass Relocation and Technical Reconstruction Project, Jiangsu Yongneng 2GW Photovoltaic modules Project as well as replenishment of the working capital of the Company. Pursuant to the subscription agreements, each of Zhongdian IRICO, Zhangjiagang Investment, Yan'an Dingyuan and Hefei Xincheng has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 900 million, 500 million, 300 million and RMB200 million new H shares at a consideration of RMB900 million, RMB500 million, RMB300 million and RMB200 million, respectively.

As at the date of the review report, this matter has not been completed.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### ***(III) Improvement Measures to Ensure Going-Concern Ability***

As stated in Note II, during the period from January to June 2018, the Company achieved consistent increase in production capacity of the production lines, new heights in respect of the proportion of qualified products, significant reduction of production cost, remarkable improvement in production efficiency and steady progress of project construction, technological innovation and enhancement of quality and efficiency. Meanwhile, the Company obtained gains on investment of RMB144.15 million from the transfer of 51% equity interests in Zhuhai Caizhu. From January to June, the Company recorded total profit of RMB226.28 million in aggregate. As shown on the financial statements of the Company as at 30 June 2018, the Company recorded accumulated losses of RMB2,751.30 million, with a gearing ratio of 91.06%, and its net current liabilities amounted to RMB1,861,530,000, indicating that the Company would be under heavy debt repayment pressure in the short term. As such, there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company has obtained a letter of financial support commitment from its controlling shareholder IRICO Group Company Limited\*, and the management of the Company will, based on the current operation and management situation of the Company, adopt the following measures to ensure the Company's ability to continue as a going concern:

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)***FOR THE SIX MONTHS ENDED 30 JUNE 2018***XII. OTHER SIGNIFICANT EVENTS (CONTINUED)*****(III) Improvement Measures to Ensure Going-Concern Ability (Continued)***

- (1) Enhance technical management to achieve rapid technological breakthroughs;
- (2) Actively carry out research on new technologies to lay a foundation for steady improvement of yield rate;
- (3) Adopt an effective marketing strategy to increase sales and reduce inventories;
- (4) Take a market-oriented approach and continuously reduce cost;
- (5) Increase fundraising efforts to ensure the safety of capital chain.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIII. NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(1) Notes and accounts receivable*

Category	Closing Balance	Opening Balance
Notes receivable	<b>102,566,709.23</b>	169,204,233.02
Accounts receivable	<b>214,063,731.72</b>	206,071,802.60
Less: provision for bad debts	<b>11,153,149.33</b>	13,318,923.51
<b>Total</b>	<b>305,477,291.62</b>	361,957,112.11

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIII. NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

#### (I) Notes and accounts receivable (Continued)

1. Top five closing balance of accounts receivable as per borrowers

Company name	Closing balance	Proportion of the total accounts receivable (%)	Outstanding provision for bad debts
Xining Branch of SPIC Xi'an Solar Power Co., Ltd. (國家電投集團西安太陽能電力有限公司西寧分公司)	19,546,083.15	5.65	
LDK Solar Hi-Tech (Nanchang) Co., Ltd. (賽維LDK太陽能高科技(南昌)有限公司)	15,845,083.52	4.58	5,428,760.38
CSI Photovoltaic Power (Luoyang) Co., Ltd (阿特斯光伏電力(洛陽)有限公司)	15,070,979.05	4.36	5,140.34
Suzhou Shengda Zeri Photoelectric Trading Co., Ltd (蘇州勝達澤日光電貿易有限公司)	7,316,467.32	2.11	3,623,292.25
Suzhou Shenghui Photovoltaic Technology Co., Ltd (蘇州騰輝光伏技術有限公司)	7,262,829.30	2.10	
Total	<u>65,041,442.34</u>	-	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIII. NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

#### (II) *Other receivables*

<b>Category</b>	<b>Closing Balance</b>	Opening Balance
Other receivables	<b>635,872,436.45</b>	460,425,355.07
Less: provision for bad debts	<b>586,297.25</b>	586,297.25
<b>Total</b>	<b>635,286,139.20</b>	459,839,057.82

#### 1. *Other receivables by nature*

<b>Nature</b>	<b>Closing Balance</b>	Opening Balance
Security deposit	<b>18,000,000.00</b>	18,000,000.00
Deposit, reserve	<b>1,391,585.92</b>	432,337.60
Current accounts	<b>616,168,714.04</b>	441,191,941.72
Social insurance contributions made for employees	<b>33,378.17</b>	5,983.30
Others	<b>278,758.32</b>	795,092.45
<b>Total</b>	<b>635,872,436.45</b>	460,425,355.07

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIII. NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

#### (II) Other receivables (Continued)

#### 2. Top five closing balance of other receivables as per borrowers

Name of debtor	Nature	Closing Balance	Ageing	Proportion of the total closing balance of other receivables (%)	Outstanding provision for bad debts
Hefei Photovoltaic	Entrusted loans, current accounts	275,165,063.66	0-3 years	43.27	
Xianyang Zhongdian IRICO Group Holdings Ltd	Reserve	131,900,963.71	0-3 months	20.74	
Yan'an New Energy IRICO Group	Borrowings	77,537,188.96	0-2 years	12.19	
Electronics (Hong Kong) Company Limited	Internal current accounts	69,193,955.00	Over 3 years	10.88	
Hanzhong Jiarunze	Internal current accounts	<u>29,200,000.00</u>	Within 1 year	<u>4.59</u>	
<b>Total</b>	-	<u><u>582,997,171.33</u></u>	-	<u><u>-</u></u>	

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIII. NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

#### (III) Long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	1,802,966,988.87	445,145,263.59	1,357,821,725.28	1,883,107,832.70	458,876,106.33	1,424,231,726.37
Investments in associates and joint ventures	<u>56,081,273.95</u>		<u>56,081,273.95</u>			
Total	<u><u>1,859,048,262.82</u></u>	<u><u>445,145,263.59</u></u>	<u><u>1,413,902,999.23</u></u>	<u><u>1,883,107,832.70</u></u>	<u><u>458,876,106.33</u></u>	<u><u>1,424,231,726.37</u></u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIII. NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

#### (III) Long-term equity investments (Continued)

##### 1. Investments in subsidiaries

Investee	Opening balance	Increase in the period	Decrease in the period	Closing balance	Provision for impairment made in the period	Closing balance of provision for impairment
Hefei Photovoltaic	1,150,000,000.00			1,150,000,000.00		405,000,000.00
Yan'an New Energy	260,000,000.00	40,000,000.00		300,000,000.00		
Electronics Hong Kong	19,107,050.00			19,107,050.00		
Hanzhong Jiarunze	12,241,500.00			12,241,500.00		
Shaanxi New Material	89,017,553.90			89,017,553.90		
Green Energy	100,000,000.00			100,000,000.00		
Jiangsu Yongneng	126,100,884.97			126,100,884.97		40,145,263.59
Xinneng Glass	6,500,000.00			6,500,000.00		
Zhuhai Caizhu	120,140,843.83		120,140,843.83			
<b>Total</b>	<b>1,883,107,832.70</b>	<b>40,000,000.00</b>	<b>120,140,843.83</b>	<b>1,802,966,988.87</b>		



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIII. NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

#### (III) Long-term equity investments (Continued)

##### 2. Investments in associates and joint ventures

Investee	Opening balance	Follow-on investment	Decrease in investment	Movements for the period					Closing balance	Closing balance of provision for impairment
				Share of profit or loss from investment under equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividends/profit distribution declared	Provision for impairment made		
I. Associate										
Zhuhai Caizhu				360,765.95					55,720,508.00	56,081,273.95
Total				360,765.95					55,720,508.00	56,081,273.95

#### (IV) Operating revenue and operating cost

Item	Amount for the period		Amount for the same period last year	
	Revenue	Cost	Revenue	Cost
I. Subtotal of main business	217,580,256.88	190,366,498.74	560,496,855.99	495,837,261.82
Photovoltaic glass	217,580,256.88	190,366,498.74	560,496,855.99	495,837,261.82
II. Subtotal of other businesses	6,268,316.87	1,398.98	7,964,567.21	6,586,286.49
Others	6,268,316.87	1,398.98	7,964,567.21	6,586,286.49
<b>Total</b>	<b>223,848,573.75</b>	<b>190,367,897.72</b>	<b>568,461,423.20</b>	<b>502,423,548.31</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIII. NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

#### (V) *Investment Income*

Item	Amount for the period	Amount for the same period last year
Income from long-term equity investments measured under cost method	360,765.95	-13,052,542.31
Income from long-term equity investments measured under equity method	81,192,600.62	12,211,043.48
Investment income from disposal of financial assets at fair value through current profit or loss	336,894.91	
Others		211,892.35
<b>Total</b>	<b>81,890,261.48</b>	<b>-629,606.48</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIV. SUPPLEMENTAL INFORMATION

#### (I) Breakdown of non-recurring profit or loss for the current period

Item	Amount	Note
1. Profit/loss on disposal of non-current assets, including write-off of provision for asset impairment	144,153,897.33	
2. Tax refund, deduction and exemption as a result of ultra vires or without formal approval or of an incidental nature		
3. Government grant recognized in current profit or loss, except for those acquired in the ordinary course of business and granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standards	4,805,455.64	
4. Funds occupation fee accounted for in the profit or loss of the current period charged to non-financial enterprises		
5. Gains arising from the difference between the investment cost for acquisition of subsidiaries, associates and joint ventures by an enterprise and the fair value of the identifiable net assets of the invested entity at the time of acquisition		
6. Profit or loss from swap of non-monetary assets		
7. Profit or loss from entrusted investment or asset management		
8. Provision for assets impairment due to force majeure including natural disasters		
9. Profit or loss from debt restructuring		
10. Expenses arising from enterprise restructuring, such as staff resettlement, integration, etc.		
11. Profit or loss from the excess of the fair value compared to the unfair consideration of a transaction		
12. Current net profit or loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger		
13. Profit or loss from contingencies irrelevant to the normal operations of the Company		

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIV. SUPPLEMENTAL INFORMATION (CONTINUED)

**(I) Breakdown of non-recurring profit or loss for the current period (Continued)**

Item	Amount	Note
14. Apart from hedging instruments relating to the normal operations of the Company, profit or loss from change in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets		
15. Reversal impairment provision for accounts receivable tested for impairment separately		
16. Profit or loss from external entrusted loans		
17. Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement		
18. Effect of one-off adjustment to current profit or loss in accordance with laws and regulations on taxation and accounting, etc.		
19. Income of entrustment fees from entrusted operations		
20. Other non-operating income and expenses save for the above		
21. Other profit or loss items falling within the meaning of non-recurring profit or loss	6,380,349.66	
22. Effect of income tax	738,655.44	
23. Effect of minority interests	145,865.14	
	<hr/>	<hr/>
Total	156,224,223.21	<hr/> <hr/>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### XIV. SUPPLEMENTAL INFORMATION (CONTINUED)

#### (II) *Return on net assets and earnings per share*

Profit for the reporting period	Weighted average return on net assets		Earnings per share Basic earnings per share	
	For the year (%)	For the previous year (%)	For the year (%)	For the previous year (%)
Net profit attributable to holders of ordinary shares of the Company	<u>82.92</u>	<u>79.87</u>	<u>0.08</u>	<u>0.04</u>
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss items	<u><u>13.49</u></u>	<u><u>-77.01</u></u>	<u><u>0.01</u></u>	<u><u>-0.04</u></u>