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**IRICO**

**彩虹集團電子股份有限公司**

**IRICO GROUP ELECTRONICS COMPANY LIMITED\***

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

(Stock Code: 0438)

## **2015 INTERIM RESULTS ANNOUNCEMENT**

The board (the “**Board**”) of directors (the “**Directors**”) of IRICO Group Electronics Company Limited\* (the “**Company**”) hereby announces the unaudited condensed consolidated interim results and financial status of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2015, together with comparative figures, as follows.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2015*

		<b>Six months ended 30 June</b>	
		<b>2015</b>	2014
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited and re-presented)
<b>Continuing operations</b>			
<b>Turnover</b>	4	<b>843,080</b>	1,001,120
Cost of sales		<u><b>(819,621)</b></u>	<u>(975,172)</u>
<b>Gross profit</b>		<b>23,459</b>	25,948
Other operating income		<b>17,699</b>	39,197
Selling and distribution costs		<b>(23,016)</b>	(25,006)
Administrative expenses		<b>(66,536)</b>	(58,657)
Other operating expenses		<b>(57,044)</b>	(341)
Finance costs	5	<b>(56,912)</b>	(69,368)
Impairment loss recognised in respect of the available-for-sale financial asset	11	<b>(99,859)</b>	–
Share of loss of associates		<u><b>(641)</b></u>	<u>(9,001)</u>
<b>Loss before tax</b>		<b>(262,850)</b>	(97,228)
Income tax (expense) credit	6	<u><b>(112)</b></u>	<u>370</u>
<b>Loss for the period from continuing operations</b>	8	<b>(262,962)</b>	(96,858)
<b>Discontinued operation</b>			
Profit (loss) for the period from discontinued operation	7	<u><b>1,333,026</b></u>	<u>(158,647)</u>
<b>Profit (loss) for the period</b>		<u><b>1,070,064</b></u>	<u>(255,505)</u>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2015*

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

		<b>30 June 2015</b>	<b>31 December 2014</b>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current liabilities</b>			
Trade and bills payables	13	<b>567,213</b>	694,325
Other payables and accruals		<b>416,913</b>	716,488
Tax payables		<b>170</b>	1,001
Bank and other borrowings – due within one year		<b>1,182,336</b>	4,096,603
Termination benefits		<b>9,739</b>	56,187
		<b>2,176,371</b>	5,564,604
<b>Net current liabilities</b>		<b>(970,178)</b>	<b>(3,567,470)</b>
<b>Total assets less current liabilities</b>		<b>884,507</b>	<b>3,210,072</b>
<b>Capital and reserves</b>			
Share capital		<b>2,232,349</b>	2,232,349
Other reserves		<b>1,343,040</b>	1,565,585
Accumulated losses		<b>(3,133,179)</b>	<b>(4,399,939)</b>
Equity attributable to owners of the Company		<b>442,210</b>	(602,005)
Non-controlling interests		<b>33,456</b>	1,238,581
<b>Total equity</b>		<b>475,666</b>	<b>636,576</b>
<b>Non-current liabilities</b>			
Bank and other borrowings – due after one year		<b>248,570</b>	2,096,906
Deferred income		<b>118,895</b>	396,789
Termination benefits		<b>34,552</b>	72,569
Deferred tax liabilities		<b>6,824</b>	7,232
		<b>408,841</b>	2,573,496
		<b>884,507</b>	<b>3,210,072</b>

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

## 1. GENERAL INFORMATION

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

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

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

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

## **2. BASIS OF PREPARATION**

- (a) The condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.
- (b) The Group had net current liabilities of approximately RMB970,178,000 as at 30 June 2015. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:
  - (i) IRICO Group Corporation, the parent company of the Company, has sufficient financial capability and will actively provide financial support to the Group to meet the Group’s liabilities and commitments as and when it falls due; and
  - (ii) the directors of the Company anticipate that the Group will maintain adequate cash flows for its operations and existing investments or financing needs.

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

## **3. PRINCIPAL ACCOUNTING POLICIES**

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

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



### 3. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

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

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

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

#### *Annual Improvements to HKFRSs 2010-2012 Cycle*

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

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

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

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

### 3. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

#### *Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)*

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

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

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

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

### 3. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

#### *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

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

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

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

- a) the property meets the definition of investment property in terms of HKAS 40; and
- b) the transaction meets the definition of a business combination under HKFRS 3.

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

### 3. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

#### *Defined Benefit Plans: Employee Contributions*

##### **Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions**

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

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

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

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

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

#### 4. SEGMENT INFORMATION

An operating segment regarding the TFT-LCD glass substrate and display devices production and sales business was discontinued in current interim period as a result of disposal of IRICO Display Devices Co., Ltd. (“A Share Company”), which are described in more detail in Note 14.

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

##### Six months ended 30 June 2015

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

#### 4. SEGMENT INFORMATION (*Continued*)

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

##### Six months ended 30 June 2014

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

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

#### 4. SEGMENT INFORMATION (*Continued*)

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

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

#### 4. SEGMENT INFORMATION (*Continued*)

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

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

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

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



## 5. FINANCE COSTS

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

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

## 6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax expense (credit):		
PRC Enterprise Income Tax	520	109
Deferred tax	(408)	(479)
	<hr/>	<hr/>
	<b>112</b>	<b>(370)</b>
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

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

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

## **7. DISCONTINUED OPERATION**

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

## 7. DISCONTINUED OPERATION (*Continued*)

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

	<b>1 January 2015 to 29 May 2015</b>	1 January 2014 to 30 June 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss of TFT-LCD glass substrate and display devices production and sales for the period	<b>(202,219)</b>	(158,647)
Gain on disposal of TFT-LCD glass substrate and display devices production and sales ( <i>Note 14</i> )	<b>1,535,245</b>	–
	<b><u>1,333,026</u></b>	<b><u>(158,647)</u></b>

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

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

## 7. DISCONTINUED OPERATION (*Continued*)

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

During the period from 1 January 2015 to 29 May 2015, A Share Company contributed RMB4,038,000 (2014: RMB145,987,000) to the Group's net operating cash flows, paid RMB213,324,000 (2014: RMB200,682,000) in respect of investing activities and received RMB319,093,000 (2014: RMB646,974,000) in respect of financing activities. The carrying amounts of the assets and liabilities of A Share Company at the date of disposal are disclosed in Note 14.

## 8. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Amortisation of intangible assets	<b>28</b>	43
Amortisation of leasehold land and land use rights	<b>1,511</b>	1,570
Depreciation of property, plant and equipment	<b>18,941</b>	21,949
Depreciation of investment properties	<b>256</b>	474
Cost of inventories recognised as an expense	<b>819,621</b>	975,172
Employee benefit expenses	<b>24,802</b>	27,479
Research and development costs	<b>1,311</b>	2,113
Impairment losses on investment in an associate (included in other operating expenses) ( <i>Note a</i> )	<b>39,475</b>	–
Operating lease rentals in respect of lands and land use right	<b>3,535</b>	3,928
Operating lease rentals in respect of property, plant and equipment	<b>3,781</b>	7,524
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	<b>3,491</b>	–
Allowance of inventories (included in other selling expenses)	<b>13,715</b>	182
Share of tax of associates (included in share of loss of associates)	<b>4</b>	13
Amortisation of deferred income on grants received	<b>(2,722)</b>	(3,384)
Cash-settled share-based payments expenses	<b>655</b>	(4,114)
Gain on disposal of property, plant and equipment	<b>(8,159)</b>	(1,328)
Gain on deregistration of subsidiaries ( <i>Note b</i> )	–	(6,861)
Reversal of impairment losses on trade and other receivables	<b>(296)</b>	(881)
Bank interest income	<b>(70)</b>	(107)

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

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

*Note b:* During the six months ended 30 June 2014, the Group has deregistered two (2015: nil) subsidiaries. Gain on deregistration of subsidiaries represented the written-back of other payables.

## 9. DIVIDEND

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

## 10. EARNINGS (LOSS) PER SHARE

### For continuing and discontinued operations

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

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

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

### For continuing operations

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

Profit (loss) figures are calculated as follows:

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

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

### For discontinued

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

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

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

*Notes:*

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



## 12. TRADE AND BILLS RECEIVABLES

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

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

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

## 13. TRADE AND BILLS PAYABLES

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

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

#### 14. DISPOSAL OF A SUBSIDIARY

On 6 February 2015, the Group entered into a sales and purchase agreement with Xianyang Zhongdian IRICO Group Holdings Ltd.\* (“**Xianyang Zhongdian IRICO**”). Pursuant to the agreement, the Group agreed to sell and Xianyang Zhongdian IRICO agreed to acquire 13.5% equity interest in A Share Company at cash consideration of approximately RMB897,129,000. A Share Company is directly held as to 24.6% and 4.95% by CEC and IRICO Group Corporation\*. The transaction was completed on 29 May 2015.

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

\* English name for identification purpose only

#### 14. DISPOSAL OF A SUBSIDIARY (Continued)

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

	<b>Total RMB'000</b>
<b>Analysis of assets and liabilities disposal of:</b>	
Properties, plant and equipment	5,548,244
Leasehold land and land use right	90,314
Investment properties	2,331
Intangible assets	273
Trade and bills receivables	176,258
Other receivables	30,435
Inventories	140,002
Bank balances and cash	157,347
Trade and bills payable	(858,062)
Other payable	(1,126,007)
Bank and other borrowings	(2,762,018)
Deferred income	(171,677)
	<hr/>
	<b>1,227,440</b>
	<hr/> <hr/>
<b>Gain on disposal of subsidiaries:</b>	
Consideration received	897,129
Fair value of the equity interests retained classified as available-for-sale financial assets	787,958
Net assets disposed of	(1,227,440)
Non-controlling interests	1,077,598
	<hr/>
Gain on disposal	<b>1,535,245</b>
	<hr/> <hr/>
The gain on disposal from discontinued operation is included in the profit for the period ( <i>see Note 7</i> )	
<b>Net cash outflow arising on disposal</b>	
Cash consideration	897,129
Cash and cash equivalents disposed of	(157,347)
	<hr/>
	<b>739,782</b>
	<hr/> <hr/>

#### **14. DISPOSAL OF A SUBSIDIARY** *(Continued)*

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

#### **EXTRACT FROM INDEPENDENT REVIEW REPORT PREPARED BY INDEPENDENT AUDITORS**

The Company would like to provide an extract of the independent review report prepared by SHINEWING (HK) CPA Limited (the independent auditors) of the Group's financial information for the six months ended 30 June 2015 as set out below:

##### **“Emphasis of matter**

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

#### **RESULTS AND DIVIDEND**

During the reporting period, the Group recorded sales of RMB843,080,000, representing a decrease of 15.79% year on year. The profit attributable to owners of the Company was RMB1,238,322,000, representing a year-on-year increase of 1,024.8% (loss attributable to owners of the Company for the first half of 2014 was RMB133,902,000).

As there was no accumulated operating surplus in the first half of 2015, the Board resolved not to distribute any interim dividend for the six months ended 30 June 2015.

## **BUSINESS REVIEW AND OUTLOOK**

### **1. Operation highlights**

During the reporting period, the Company achieved a stable growth in the solar photovoltaic glass business, and Hefei photovoltaic project launched smoothly; for new electronic materials business, the sales volume of energy saving lamp phosphors continued to decline, while the sales volume of new materials such as electronic silver paste and lithium battery cathode materials increased steadily; the LCD glass substrates business was operated in a stable manner. In the first half of 2015, the Group recorded sales of RMB843,080,000, representing a year-on-year decrease of 15.79%. The profit attributable to owners of the Company for the period was RMB1,238,322,000, representing a year-on-year increase of 1,024.8% (loss attributable to owners of the Company for the first half of 2014 was RMB133,902,000).

During the reporting period, the Company completed the disposal of 13.5% equity interest in A Share Company and ceased to have de facto control on A Share Company, and the financial results of which would not be consolidated into the accounts of the Company.

### **2. Business Achievements**

#### ***(1) Solar Photovoltaic Business***

During the reporting period, the Group's solar photovoltaic glass business was steadily promoted and the sales volume increased compared with the corresponding period of last year. The Group continuously improved the technique and facilities of Xianyang photovoltaic glass, adjusted product structure and reduced cost while enhancing efficiency. On the other hand, Hefei photovoltaic glass project launched smoothly during the reporting period and is in stable progress of trial production. The Group's capacity of solar photovoltaic glass ranked top 3 domestically, which will largely improve the comprehensive competitiveness of the photovoltaic glass business of the Group.

In addition, the Group actively extended business in upstream and downstream industry. Project of quartz sand in Hanzhong was under construction, Hefei 12GW solar photovoltaic station project was in progress smoothly and is expected to commence operation within the year.

**(2) *New Electronic Materials Business***

During the reporting period, energy saving lamp phosphors business of the Group continued to be sluggish in downward trend of the industry. business of the electronic silver paste and cathode material of lithium battery improved steadily, among which, the promotion project of 1000 tonnes cathode material of lithium battery was carried out smoothly and is expected to complete within the second half of the year.

**(3) *TFT-LCD Glass Substrate Business***

During the reporting period, the defect-free rate of the TFT-LCD glass substrates of the Group was stable and maintained at a higher level. The new mitochondria replication optimization technology had been significantly improved and the growth of product sales was higher as well.

**(4) *Trading of Liquid Crystal Related Products and Other Businesses***

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

## **FINANCIAL REVIEW**

### **1. Overall performance**

The gross profit margin of the Group for the first half of 2015 was 2.78% and the gross profit margin for the first half of 2014 was 2.59%. The increase in the gross profit margin was mainly attributable to the effective disposal of non-core companies of the Group and the increase in gross profit margin of trading segment compared with the corresponding period of last year. The profit attributable to owners of the Company for the first half of 2015 increased by 1,024.8% to 1,238,322,000, as compared with a loss attributable to owners of the Company of RMB133,902,000 for the first half of 2014, which was mainly attributable to investment gain from disposal of 13.5% equity interest of the A Share Company by the Group during the reporting period.

## **2. Capital structure**

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

## **3. Foreign exchange risk**

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

## **4. Commitments**

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

## **5. Contingent liabilities**

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

## **6. Pledge of assets**

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

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

## **PURCHASE, SALE OR REPURCHASE OF SHARES**

During the reporting period, the Group had not purchased, sold or repurchased any of the issued shares of the Company.

## **MATERIAL LITIGATIONS**

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

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

## **CORPORATE GOVERNANCE PRACTICE**

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

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

## **AUDIT COMMITTEE**

In compliance with the provisions set out in the Code, the Company established the Audit committee.

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

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



## **MATERIAL ACQUISITION AND DISPOSAL**

On 6 February 2015, the Company entered into an agreement with Xianyang Zhongdian IRICO, pursuant to which the Company conditionally agreed to sell and Xianyang Zhongdian IRICO conditionally agreed to acquire 99,460,000 shares in A Share Company (representing approximately 13.5% of the issued share capital of A Share Company) at a cash consideration of RMB897,129,200 (i.e. RMB9.02 per share). The above mentioned disposal has been approved by independent Shareholders of the Company subsequently, and approved by State-owned Assets Supervision and Administration Commission of the State Council on 15 June 2015. Upon the completion of the disposal during the reporting period, the Company ceased to have de facto control on A Share Company, the financial results of which would not be consolidated into the accounts of the Company. For details, please refer to the circular of the Company dated 20 April 2015.

Save as disclosed above, the Company had no other material acquisition or disposal of subsidiaries and joint ventures during the reporting period.

## **PUBLICATION OF THE INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE**

The 2015 interim report of the Company will be published on the Company's website at <http://www.irico.com.cn> and the website of the Stock Exchange in due course.

By order of the Board  
**IRICO Group Electronics Company Limited\***  
**Guo Mengquan**  
*Chairman*

Shaanxi Province, the PRC  
25 August 2015

*As at the date of this announcement, the board of directors of the Company consists of Mr. Guo Mengquan and Mr. Zhang Junhua as executive directors of the Company, Mr. Si Yuncong, Mr. Huang Mingyan and Mr. Jiang Ahe as non-executive directors of the Company, and Mr. Xu Xinzhong, Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive directors of the Company.*

\* For identification purposes only