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**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)

## **2016 INTERIM RESULTS ANNOUNCEMENT**

The board (the “**Board**”) of directors (the “**Directors**”) of IRICO Group New Energy 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 2016, together with comparative figures, as follows.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

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

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

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2016*

		<b>30 June 2016</b>	31 December 2015
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,251,466</b>	1,211,724
Investment properties		<b>9,691</b>	7,164
Leasehold land and land use rights		<b>110,669</b>	114,237
Intangible assets		<b>23,593</b>	24,981
Interests in associates		<b>31,939</b>	31,721
Available-for-sale financial assets	11	<b>517,063</b>	483,378
		<b>1,944,421</b>	1,873,205
<b>Current assets</b>			
Inventories		<b>110,225</b>	130,618
Trade and bills receivables	12	<b>709,655</b>	618,088
Other receivables, deposits and prepayments		<b>245,366</b>	184,754
Tax recoverable		<b>3,140</b>	3,140
Restricted bank balances		<b>88,902</b>	95,105
Bank balances and cash		<b>283,721</b>	252,596
		<b>1,441,009</b>	1,284,301
<b>Current liabilities</b>			
Trade and bills payables	13	<b>747,963</b>	642,944
Other payables and accruals		<b>550,234</b>	499,507
Tax payables		<b>178</b>	850
Bank and other borrowings – due within one year		<b>1,518,141</b>	1,466,365
Termination benefits		<b>46,308</b>	46,292
		<b>2,862,824</b>	2,655,958
<b>Net current liabilities</b>		<b>(1,421,815)</b>	(1,371,657)
<b>Total assets less current liabilities</b>		<b>522,606</b>	501,548

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 1. GENERAL INFORMATION

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

During the reporting period, the name of the Company was changed from “IRICO Group Electronics Company Limited \* (彩虹集團電子股份有限公司)” to “IRICO Group New Energy Company Limited \* (彩虹集團新能源股份有限公司)”. Details were disclosed in the announcement on 13 November 2015. The special resolution regarding the change of the name of the Company was passed by the shareholders at the EGM held on 13 November 2015.

The Company and its subsidiaries (collectively referred to as the “**Group**”) are engaged in solar photovoltaic business, new materials business, trading business and others.

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

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

## 2. BASIS OF PREPARATION

- (a) The condensed interim consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).
- (b) The Group had net current liabilities of approximately RMB1,421,815,000 as at 30 June 2016. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:
  - (i) IRICO Group Corporation, the parent company of the Company, has sufficient financial capability and will actively provide financial support to the Group to meet the Group’s liabilities and commitments as and when it falls due; and
  - (ii) the directors of the Company anticipate that the Group will maintain adequate cash flows for its operations and existing investments or financing needs.

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.



## 2. BASIS OF PREPARATION (*Continued*)

### Correction of prior year errors

During the six months ended 30 June 2015, the gain from the disposal of IRICO Display Devices Co., Ltd. (“**A Share Company**”) as at 29 May 2015, the date of completion of disposal, has been restated due to correction of error in the value of net assets disposed of, fair value of the equity interest retained classified as available-for-sale financial assets and related taxes arose from the gain on disposal. As a result, the Group’s profit for the period from discontinued operation for the period ended 30 June 2015 was overstated by approximately RMB227,164,000.

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

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

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

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

### 3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

#### **4. SEGMENT INFORMATION**

An operating segment regarding the TFT-LCD glass substrate and display devices production and sales business was discontinued during the six months ended 30 June 2015 as a result of disposal of the A Share Company, which are described in more detail in Note 14.

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

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

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

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

##### Six months ended 30 June 2016

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

##### Six months ended 30 June 2015

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

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

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

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

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

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

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

	<b>Solar photovoltaic business</b> <i>RMB'000</i>	<b>New materials business</b> <i>RMB'000</i>	<b>Trading business</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 30 June 2016 (Unaudited)					
Segment liabilities	<u>935,963</u>	<u>127,186</u>	<u>115,791</u>	<u>37,086</u>	1,216,026
Unallocated liabilities					<u>1,993,096</u>
Total segment liabilities					<u>3,209,122</u>
At 31 December 2015 (Audited)					
Segment liabilities	<u>884,662</u>	<u>115,355</u>	<u>74,299</u>	<u>68,134</u>	1,142,450
Unallocated liabilities					<u>1,886,803</u>
Total segment liabilities					<u>3,029,253</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, bank and other borrowings and certain unallocated head office liabilities.

## 5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Interest on:		
Bank and other borrowings	15,659	36,311
Amount due to IRICO Group	14,139	32,860
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Total borrowing costs	29,798	69,171
Less: amounts capitalised in the cost of qualifying assets	(16,323)	(12,259)
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	<b>13,475</b>	<b>56,912</b>
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Borrowing costs capitalised during the period arose on general borrowings pool and are calculated by applying a capitalisation rate of 4.75% per annum (six months end 30 June 2015: 5.42% per annum) to expenditure on qualifying assets.

## 6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Current tax expense		
PRC Enterprise Income Tax	–	520
Deferred tax	(122)	(408)
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	<b>(122)</b>	<b>112</b>
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No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both periods ended 30 June 2016 and 2015.

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



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

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

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

## 7. DISCONTINUED OPERATIONS

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

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

	1 January 2015 to 29 May 2015 <i>RMB’000</i> (Unaudited and restated)
Loss of TFT-LCD glass substrate and display devices production and sales for the period	(202,219)
Gain on disposal of TFT-LCD glass substrate and display devices production and sales ( <i>Note 14</i> )	<u>1,308,081</u>
	<u><u>1,105,862</u></u>

## 7. DISCONTINUED OPERATIONS (*Continued*)

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

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

## 7. DISCONTINUED OPERATIONS (*Continued*)

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

Loss for the period from discontinued operations  
include the following:

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

During the period from 1 January 2015 to 29 May 2015, A Share Company contributed RMB4,775,000 to the Group's net operating cash flows, paid RMB213,324,000 in respect of investing activities and received RMB319,093,000 in respect of financing activities. The carrying amounts of the assets and liabilities of A Share Company at the date of disposal are disclosed in Note 14.

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

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

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

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

## 9. DIVIDEND

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

## 10. EARNINGS (LOSS) PER SHARE

### For continuing and discontinued operations

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

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

### For continuing operations

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

Profit (loss) figures are calculated as follows:

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

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

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

### For discontinued operations

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

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

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

### Notes:

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

\* English name for identification purpose only

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

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

## 13. TRADE AND BILLS PAYABLES

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

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

## 14. DISPOSAL OF A SUBSIDIARY

### For the six months ended 30 June 2016

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

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

	<b>Total RMB'000</b>
<b>Analysis of asset and liabilities disposal of:</b>	
Properties, plant and equipment	11,797
Leasehold land and land use right	2,123
Trade and bills receivables	26,667
Other receivables	3
Bank balances and cash	10,193
Trade and bills payables	(456)
Other payables	(2,927)
Termination benefit	(2,122)
	<hr/>
	45,278
	<hr/> <hr/>
<b>Gain on disposal of a subsidiary:</b>	
Consideration received	45,946
Net assets disposed of	(45,278)
Non-controlling interests	18,111
	<hr/>
Gain on disposal	18,779
	<hr/> <hr/>
<b>Net cash inflow arising on disposal</b>	
Cash consideration	45,946
Settlement through current account included in other payables and accruals	(35,753)
Cash and cash equivalents disposed of	(10,193)
	<hr/>
	-
	<hr/> <hr/>

During the period from 1 January 2016 to 30 April 2016, IRICO Accessories contributed a loss and net cash outflow of approximately RMB16,000 and RMB23,000 to the Group's loss and net cash flows respectively.



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

### For the six months ended 30 June 2015

On 6 February 2015, the Company and Xianyang IRICO, entered into the agreement, pursuant to which the Company conditionally agreed to sell, and Xianyang IRICO conditionally agreed to acquire, 99,460,000 shares of A Share Company, representing approximately 13.5% of the issued share capital of A Share Company, at a cash consideration of approximately RMB897,129,000 with related tax expenses incurred of approximately RMB34,671,000. The transaction is completed on 29 May 2015.

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

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

	Total <i>RMB'000</i> (Restated)
<b>Analysis of asset and liabilities disposal of:</b>	
Properties, plant and equipment	5,548,517
Leasehold land and land use right	90,314
Investment properties	2,331
Trade and bills receivables	176,258
Other receivables	821,467
Inventories	140,002
Bank balances and cash	157,347
Trade and bills payables	(858,062)
Other payables	(113,475)
Bank and other borrowings	(4,308,369)
Deferred income	(281,677)
	<hr/>
	1,374,653
	<hr/> <hr/>

## 14. DISPOSAL OF A SUBSIDIARY (Continued)

For the six months ended 30 June 2015 (Continued)

	Total RMB'000 (Restated)
<b>Gain on disposal of subsidiaries:</b>	
Consideration received	862,458
Fair value of the equity interests retained classified as available-for-sale financial assets	775,058
Net assets disposed of	(1,374,653)
Non-controlling interests	<u>1,045,218</u>
Gain on disposal	<u><u>1,308,081</u></u>

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

	Total RMB'000 (Restated)
Cash consideration	862,458
Cash and cash equivalents disposed of	<u>(157,347)</u>
	<u><u>705,111</u></u>

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

## 15. COMPARATIVE FIGURES

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

## **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 2016 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's current liabilities exceeded its current assets by approximately RMB1,421,815,000 as at 30 June 2016. This condition as set out in Note 2 to the condensed interim consolidated financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.”

### **RESULTS AND DIVIDEND**

During the reporting period, the Group recorded sales of RMB826,707,000, representing a decrease of 1.94% as compared to the same period of last year. The profit attributable to owners of the Company was RMB32,751,000, representing a decrease of 96.58% as compared to the same period of last year (profit attributable to owners of the Company for the first half of 2015 was RMB958,740,000).

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

### **BUSINESS REVIEW AND OUTLOOK**

#### **1. Operation highlights**

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

## 2. Business Achievements

### (1) Solar Photovoltaic Business

- *Solar photovoltaic glass*

During the reporting period, the Group's solar photovoltaic glass business developed rapidly and the production and sales increased significantly as compared with the corresponding period of last year. In particular, Hefei photovoltaic glass project commenced mass production and achieved profit; Xianyang photovoltaic glass project was also under steady operation; Yan'an photovoltaic glass project has been officially commenced and the Group is actively advancing the construction of the project. In terms of the business scale, the Group ranked top 3 in the global solar photovoltaic glass market.

- *Solar photovoltaic power station*

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

- *Quartz sand processing*

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

### (2) New Materials Business

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

### (3) Trading and Other Businesses

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

## **FINANCIAL REVIEW**

### **1. Overall performance**

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

### **2. Capital structure**

As at 30 June 2016, the Group's borrowings were mainly denominated in Renminbi and US dollars, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intends to maintain an appropriate ratio of share capital to liabilities, so as to ensure the maintenance of an effective capital structure at any time. As at 30 June 2016, the total liabilities including bank borrowings amounted to RMB1,755,141,000 in aggregate (as at 31 December 2015: RMB1,692,985,000). Its cash and bank balances amounted to RMB283,721,000 in aggregate (as at 31 December 2015: RMB252,596,000) and its gearing ratio was 95% (as at 31 December 2015: 96%).

### **3. Foreign exchange risk**

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

### **4. Commitments**

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

### **5. Contingent liabilities**

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

## **6. Pledge of assets**

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

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

## **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 2016, the Directors were not aware of any new litigation or claim of material importance pending or threatened by or against any member of the Group save as the claims brought by Fanshawe College against the Company and A Share Company and claims by Curtis Saunders against the Company and A Share Company as set out in the Company's circular to its shareholders dated 21 April 2015.

During the reporting period, there was no update on the pending litigations which were disclosed by the Company previously. In the opinion of the Directors, such cases did not have any material impact on the Group's interim financial statements for the six months ended 30 June 2016. For details of such cases, please refer to the Company's circular to its shareholders dated 21 April 2015.

## **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") in Appendix 14 to the Listing Rules.

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

## 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, risk management, internal control and financial reporting, which included the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016.

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

## OTHERS

### (1) Changes in corporate information

#### *Change of company name*

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

#### *Change of company name of non-Hong Kong company*

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

### ***Change of stock short name***

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

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

### **(2) Disposal of equity interest in IRICO Accessories**

On 9 May 2016, the Company and Xianyang IRICO entered into an equity transfer agreement, pursuant to which the Company agreed to sell, and Xianyang IRICO agreed to acquire, 60% of the equity interest in IRICO Accessories at a cash consideration of RMB45,945,900. As a result of such disposal, the Company ceased to have any interest in IRICO Accessories. As such, IRICO Accessories ceased to be a subsidiary of the Company and its financial results ceased to be consolidated into the accounts of the Company. As at the date of this announcement, the Company has not completed relevant procedures for equity transfer and registration of change at the Administration for Industry and Commerce. For details, please refer to the Company’s announcement dated 9 May 2016.

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

The 2016 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 New Energy Company Limited\***  
**Si Yuncong**  
*Chairman*

Shaanxi Province, the PRC  
29 August 2016

*As at the date of this announcement, the Board consists of Mr. Si Yuncong and Mr. Zou Changfu as executive directors, Mr. Huang Mingyan and Mr. Chen Changqing as non-executive directors, and Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive directors.*

\* *For identification purpose only*