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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 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") and all the directors (the "**Directors**") of IRICO Group New Energy Company Limited* (the "**Company**") announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement are consistent with the amounts set out in the audited consolidated financial statements of the Group for the same year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
Continuing operations			
Revenue	3	**1,809,333**	1,485,918
Cost of sales		**(1,599,201)**	(1,453,783)
Gross profit		**210,132**	32,135
Other operating income	5	**136,689**	56,475
Gain on disposal of subsidiaries	14	**18,779**	–
Selling and distribution costs		**(87,382)**	(64,631)
Administrative expenses		**(129,491)**	(168,937)
Other operating expenses		**(4,579)**	(11,464)
Finance costs	6	**(39,847)**	(106,341)
Impairment loss recognised in respect of the available-for-sale financial asset		**–**	(276,831)
Impairment loss recognised in respect of interests in associates		**–**	(40,145)
Share of profit/(loss) of associates		**1,796**	(174)
Share of loss of a joint venture		**(209)**	–
Profit/(loss) before tax		**105,888**	(579,913)
Income tax expense	7	**(1,370)**	(297)
Profit/(loss) for the year from continuing operations	8	**104,518**	(580,210)
Discontinued operation			
Profit for the year from discontinued operation	13	**–**	1,105,862
Profit for the year		**104,518**	525,652

	Notes	**2016** **RMB'000**	2015 RMB'000
Profit/(loss) for the year attributable to the owners of the Company:			
– from continuing operations		**105,712**	(577,774)
– from discontinued operation		**–**	1,221,770
		105,712	643,996
Loss for the year attributable to non-controlling interests:			
– from continuing operations		**(1,194)**	(2,436)
– from discontinued operation		**–**	(115,908)
		(1,194)	(118,344)
		104,518	525,652
		RMB	*RMB*
Earnings/(loss) per share – Basic and diluted			
– from continuing operations		**0.05**	(0.26)
– from discontinued operation		**–**	0.55
– from continuing and discontinued operations	10	**0.05**	0.29

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Profit for the year		**104,518**	525,652
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of a foreign subsidiary		**173**	172
Available-for-sale financial assets:			
– Changes in fair value		**(62,334)**	(276,831)
– Reclassified to profit or loss due to disposal		**–**	10,157
– Reclassified to profit or loss due to impairment losses		**–**	266,674
Other comprehensive (expense)/income for the year		**(62,161)**	172
Total comprehensive income for the year		**42,357**	525,824
Total comprehensive income/(expense) for the year attributable to:			
Owners of the company		**43,551**	644,168
Non-controlling interests		**(1,194)**	(118,344)
		42,357	525,824

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**1,297,645**	1,211,724
Investment properties		**16,904**	7,164
Leasehold land and land use rights		**109,186**	114,237
Intangible assets		**22,205**	24,981
Interests in associates		**33,517**	31,721
Interest in a joint venture		**35,791**	–
Available-for-sale financial assets		**421,044**	483,378
		1,936,292	1,873,205
Current assets			
Inventories		**113,563**	130,618
Trade and bills receivables	11	**622,119**	618,088
Other receivables, deposits and prepayments		**411,733**	184,754
Tax recoverable		**3,140**	3,140
Restricted bank balances		**98,034**	95,105
Bank balances and cash		**428,178**	252,596
		1,676,767	1,284,301
Non-current assets classified as held for sale		**25,563**	–
		1,702,330	1,284,301
Current liabilities			
Trade and bills payables	12	**695,308**	642,944
Other payables and accruals		**572,650**	499,507
Tax payables		**786**	850
Bank and other borrowings			
– due within one year		**1,552,684**	1,466,365
Termination benefits		**12,099**	46,292
		2,833,527	2,655,958

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Net current liabilities		**(1,131,197)**	(1,371,657)
Total assets less current liabilities		**805,095**	501,548
Capital and reserves			
Share capital		**2,232,349**	2,232,349
Other reserves		**874,136**	936,297
Accumulated losses		**(3,020,771)**	(3,126,483)
Equity attributable to owners of the Company		**85,714**	42,163
Non-controlling interests		**66,785**	86,090
Total equity		**152,499**	128,253
Non-current liabilities			
Bank and other borrowings – due after one year		**516,610**	226,620
Deferred income		**98,797**	102,246
Termination benefits		**29,957**	37,197
Deferred tax liabilities		**7,232**	7,232
		652,596	373,295
		805,095	501,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 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.

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

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

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRS")

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

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following revised HKFRSs:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable 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
Annual Improvements 2012–2014 cycle	Amendments to a number of HKFRSs

The initial application of these revised financial reporting standards does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

HKFRS 14 "Regulatory Deferral Accounts" is not applicable to the Group.

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following HKFRSs in issue at 31 December 2016 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2016:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these standards and amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(d) Adoption of going concern basis

The Group had net current liabilities of approximately RMB1,131 million as at 31 December 2016. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group and the Company will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

(i) IRICO Group, the parent company of the Company, has sufficient financial capability and will actively provide financial support to the Group and the Company to meet the Group's and the Company's liabilities and commitments as and when they fall due;

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

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

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

3. REVENUE

Revenue represents revenue arising from solar photovoltaic business, new materials business, trading business and others.

4. SEGMENT INFORMATION

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

Due to the cease in production and sales of CPTs products, disposal of IRICO Display Devices Co., Ltd.* (彩虹顯示器件股份有限公司) ("**A Share Company**") and change of the name of the Company on 4 February 2016, the Group adjusted 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 year ended 31 December 2015 have been restated for presentation on the same basis. The four reportable segments are set out as follows:

1. Solar photovoltaic business

2. New materials business – production and sales of luminous materials and lithium battery anode materials

3. Trading business – trading of solar modules and other related accessories

4. Others

Information regarding the above segments is reported below.

Segment revenues and results

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

For the year ended 31 December 2016

Continuing operations

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE					
External sales	**1,027,631**	**257,155**	**524,321**	**226**	**1,809,333**
Segment profit	**66,453**	**1,024**	**14,806**	**1,790**	**84,073**
Unallocated income					**136,689**
Unallocated expenses					**(95,393)**
Finance costs					**(39,847)**
Gain on disposal of a subsidiary					**18,779**
Share of profit of associates					**1,796**
Share of loss of a joint venture					**(209)**
Profit before tax					**105,888**

For the year ended 31 December 2015

Continuing operations

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

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

Segment assets and liabilities

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

Segment assets

	2016	2015
	RMB'000	*RMB'000*
Solar photovoltaic business	**1,930,681**	1,528,817
New materials business	**344,580**	383,138
Trading business	**229,857**	255,806
Others	**100,036**	123,805
Total segment assets	**2,605,154**	2,291,566
Unallocated assets	**1,033,468**	865,940
Consolidated total assets	**3,638,622**	3,157,506

Segment liabilities

	2016	2015
Solar photovoltaic business	**879,269**	884,662
New materials business	**83,852**	115,355
Trading business	**233,361**	74,299
Others	**126,574**	68,134
Total segment liabilities	**1,323,056**	1,142,450
Unallocated liabilities	**2,163,067**	1,886,803
Consolidated total liabilities	**3,486,123**	3,029,253

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

– all assets other than interests in associates, interest in a joint venture, investment properties, available-for-sale financial assets, restricted bank balances, tax recoverable, bank balances and cash and certain unallocated head office assets are allocated to operating segments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

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

Geographical information

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

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

	2016	2015
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**1,727,933**	1,451,434
Hong Kong	**–**	314
Other countries	**81,400**	34,170
	1,809,333	1,485,918

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

Information about major customers

The Group has identified no customer (2015: one) which individually represented over 10% of the Group's total external sales.

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

	2016	2015
	RMB'000	*RMB'000*
Customer A[1]	**–**	265,014

[1] Revenue from production of liquid crystal related products.

5. OTHER OPERATING INCOME

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Gain on disposal of property, plant and equipment	**5,334**	2,697
Gain on disposal of non-current assets classified as held for sale	**–**	5,998
Interest income	**2,879**	7,803
Gain on sales of raw materials, scraps and packaging materials	**6,471**	4,456
Reversal of allowance for inventories	**1,782**	–
Rental income *(Note a)*	**21,106**	18,310
Grants and amortisation of deferred income on government grants received	**46,775**	13,777
Overprovision of tax expenses for disposal of A Share company	**30,391**	–
Gain on deregistration of a subsidiary	**9,620**	–
Reversal of cash-settled share-based payments	**8,622**	–
Others	**3,709**	3,434
	136,689	56,475

Note:

(a) The direct operating expenses from investment properties that generated rental income amounted to approximately RMB230,000 (2015: RMB290,000) for the year ended 31 December 2016.

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Interest on:		
Bank and other borrowings	**9,442**	58,585
Discounted trade receivables to banks	**625**	289
Termination benefits	**3,854**	2,315
Amount due to parent company	**25,926**	45,152
Total borrowing costs	**39,847**	106,341

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
PRC Enterprise Income Tax		
Current tax	**1,370**	297
Deferred tax	**–**	–
Income tax expense	**1,370**	297

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 years ended 31 December 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%.

8. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**1,588,755**	1,447,291
Depreciation for property, plant and equipment	**55,419**	34,762
Depreciation for investment properties	**1,136**	640
Amortisation of leasehold land and land use rights	**2,967**	3,023
Amortisation of intangible assets	**2,776**	2,804
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**11,636**	8,874
Research and development costs recognised as an expense	**3,603**	3,208
Allowance for inventories (included in administrative expenses)	**–**	3,362
Operating lease rentals in respect of leasehold land and land use rights	**–**	2,661
Operating lease rentals in respect of property, plant and equipment	**11,340**	14,964
Net foreign exchange losses	**1,004**	49
Provision for warranty	**–**	3,904
Legal compensation *(Note)*	**–**	14,849
Auditor's remuneration	**2,520**	2,520
Share of tax of associates (included in share of profit/(loss) of associates)	**1,103**	16

Note: The amount represents a compensation for breach of contract for acquisition of equity interest of an associated company. Listed equity securities of approximately RMB14,849,000 have been transferred to settle the amount during the year ended 31 December 2015.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

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:

	2016	2015
Profit for the year attributable to the owners of the Company *(RMB'000)*	**105,712**	643,996
Weighted average number of ordinary shares in issue *('000 shares)*	**2,232,349**	2,232,349

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:

	2016	2015
	RMB'000	*RMB'000*
Profit for the year attributable to the owners of the Company	**105,712**	643,996
Less: Profit for the year from discontinued operation	**–**	1,221,770
Profit/(loss) for the purpose of basic and diluted loss per share from continuing operations	**105,712**	(577,774)

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

For discontinued operation

Basic and diluted earnings per share for the discontinued operation is nil per share (2015: profit of approximately RMB0.55 per share), based on the profit for the year attributable to the owners of the Company from the discontinued operation of nil (2015: profit of approximately RMB1,221,770,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

Diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share for both continuing and discontinued operations as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2016 and 2015.

11. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables		
Third parties	**469,549**	467,226
Related parties	**35,401**	10,755
	504,950	477,981
Less: Allowance for doubtful debts	**(29,626)**	(17,289)
Trade receivables – net	**475,324**	460,692
Trade bills receivables		
Third parties	**146,795**	157,396
Total trade and bills receivables	**622,119**	618,088

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

The Group allows an average credit period of 90 days (2015: 90 days) to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**388,337**	349,625
91 to 180 days	**160,242**	121,801
181 to 365 days	**32,506**	92,902
Over 365 days	**41,034**	53,760
	622,119	618,088

12. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
Third parties	**318,908**	275,096
Related parties	**174,362**	189,058
	493,270	464,154
Trade bills payables		
Third parties	**202,038**	178,790
Total trade and bills payables	**695,308**	642,944

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

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**450,171**	417,565
91 to 180 days	**126,919**	78,368
181 to 365 days	**33,607**	120,837
Over 365 days	**84,611**	26,174
	695,308	642,944

The average credit period on purchases of goods is 90 days (2015: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. DISCONTINUED OPERATION

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

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

	2016	2015
	RMB'000	*RMB'000*
Loss of TFT-LCD glass substrate and display devices production and sales for the year	**–**	(202,219)
Gain on disposal of TFT-LCD glass substrate and display devices production and sales	**–**	1,308,081
	–	1,105,862

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

	2016	2015
	RMB'000	*RMB'000*
Revenue	–	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)
Impairment loss recognised in respect of property, plant and equipment	–	–
Finance costs	–	(85,066)
Loss before tax	–	(202,219)
Income tax expenses	–	–
Loss for the period from discontinued operation	–	(202,219)
Profit/(loss) for the year from discontinued operation 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
Amortisation of intangible assets	–	–
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

14. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2016

On 9 May 2016, the Company and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("**Xianyang IRICO**"), a subsidiary of CEC, entered into the agreement, pursuant to which the Company agreed to sell, and Xianyang IRICO agreed to acquire 60% of equity interests in Xianyang IRICO Electronic Accessories Co., Ltd.* (咸陽彩虹電子配件有限公司) ("**IRICO Accessories**") at a cash consideration of approximately RMB45,945,900. As a result of such disposal, the Company ceased to have any interest in IRICO Accessories. The relevant procedures for equity transfer and registration was completed on 7 December 2016.

* *English name for identification purpose only*

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

	Total
	RMB'000
Analysis of assets and liabilities disposed of:	
Property, plant and equipment	**11,797**
Leasehold land and land use rights	**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 benefits	**(2,122)**
	45,278
Gain on disposal of a subsidiary:	
Consideration received	**45,946**
Net assets disposed of	**(45,278)**
Non-controlling interests	**18,111**
Gain on disposal	**18,779**

	Total
	RMB'000
Net cash outflow arising on disposal:	
Cash consideration	**45,946**
Settlement through current account included in other payables and accruals	**(45,946)**
Cash and cash equivalents disposed of	**(10,193)**
	(10,193)

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 profit and net cash flows respectively.

15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 28 February 2017, the Company and Xianyang IRICO Electronics Shadow Mask Co., Ltd.* (咸陽彩虹電子網版有限公司) ("**IRICO Shadow Mask**") entered into the equity transfer agreement with Xianyang IRICO, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Xianyang IRICO agreed to acquire 90% equity interest in Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司) ("**Kunshan IRICO**") at a cash consideration of approximately RMB71,439,750. The transaction has yet to be completed, and is subject to the independent shareholders approvals at the general meeting. Upon completion of the disposal, the Company will cease to have any interest in Kunshan IRICO. As such, Kunshan IRICO will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company.

On 22 March 2017, the Board announces that, the Company, Sunlink Power Holdings Co., Ltd. ("**Sunlink Power**"), Suzhou Huilian Solar Energy Technology Co., Ltd.*(蘇州惠利安太陽能科技有限公司) ("**Suzhou Huilian**"), Suzhou Yongjin Investment Co., Ltd.* (蘇州永金投資有限公司) and Jiangsu Tiancheng Energy Development Co., Ltd.* (江蘇天成能源發展有限公司) ("**Tiancheng Energy**") entered into the Equity Acquisition Variation Agreement, pursuant to which, the Company has conditionally agreed to acquire and Sunlink Power, Suzhou Huilian as well as Tiancheng Energy have conditionally agreed to sell, an aggregate of 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited* (江蘇永能光伏科技有限公司) ("**Jiangsu Yongneng**") for a total cash consideration of RMB68,000,000. Upon completion of the acquisition, the Company will hold 51% equity interest in Jiangsu Yongneng in aggregate and Jiangsu Yongneng will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE INDEPENDENT AUDITOR

The Group would like to provide an extract from the independent auditor's report prepared by PKF Hong Kong (the independent auditor) on the Group's annual financial statements for the year ended 31 December 2016 as set out below:

"Emphasis of matter

We draw attention to note 2(d) to the consolidated financial statements which indicates that the Group had net current liabilities of approximately RMB1,131 million as at 31 December 2016. This condition, together with other matters as set out in note 2(d) to the 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. Our opinion is not qualified in respect of this matter."

RESULTS AND DIVIDEND

In 2016, the sales of the Group were RMB1,809,333,000 with a year-on-year growth of RMB323,415,000; the gross profit was RMB210,132,000 with a year-on-year growth of RMB177,997,000, which represented a 5.5 times increase from last year; the gross profit rate was 11.61% with a year-on-year growth of 9.5% (gross profit rate in 2015: 2.16%); profit for the year was RMB104,518,000, of which profit attributable to owners of the Company for the year was RMB105,712,000 (the same period of last year: RMB643,996,000). The decrease was mainly due to the disposal of equity interests in IRICO Display Devices Co., Ltd.* (彩虹顯示器件股份有限公司) ("**A Share Company**") in 2015, resulting in a one-off investment gain of RMB1,105,862,000.

The Company's dividend policy remains unchanged. In light of the absence of accumulated surplus in 2016, the Board has decided not to distribute any final dividend for the year ended 31 December 2016, which is subject to the approval by the shareholders of the Company at the 2016 annual general meeting to be held in 2017. Further details in relation to the closure of register of member for H shares will be announced by the Company after confirming the arrangement of such general meeting.

REVIEW OF PRINCIPAL BUSINESSES

During the reporting period, the Group further clarified the strategic deployment and strengthened the industrial upgrading, forming the only one vertical industry chain of the photovoltaic industry from quartz sand mine to photovoltaic glass and to photovoltaic power station.

During the reporting period, the Group's main operating income and profitability increased significantly, the marketing effect was remarkable, the lean management was solidly promoted, the financing model has been continuously innovated, the technological innovation has achieved new breakthrough, and the operating effect continued to develop in a positive trend.

(1) Solar photovoltaic business

- ***Solar photovoltaic glass***

  During the reporting period, the solar photovoltaic glass business of the Group experienced a rapid growth with increased production and sales. As compared with 2015, production increased by 76% and the sales volume increased by 74%. In terms of production size, we ranked third in the industry. The Yan'an photovoltaic glass project and the Hefei photovoltaic glass phase II project are proceeding at full speed, and the Xianyang photovoltaic glass relocation and renovation project will be launched soon.

  During the reporting period, the "process and industrialization of oxygen-fuel combustion furnace for solar photovoltaic glass with production capacity of 750 tons per day", a self-developed scientific achievement made by the Group, won the Technology Advancement Second Class Award from the Chinese Institute of Electronics. This breakthrough in photovoltaic glass technology made the top ten news stories of the electronic industry in 2016. The Group's technical know-how in the process and industrialization of oxygen-fuel combustion furnace for photovoltaic glass is at an advanced level in the world.

- ***Solar photovoltaic power station***

  During the reporting period, the construction of photovoltaic power stations in Nanjing, Liquan, Hefei, etc., has been completed by the Group, while the photovoltaic power stations in Wuhan, Shenmu, Yangjiang, etc., are under construction and construction planning. The photovoltaic power station projects of 57MW were initiated and projects of 60MW were set up with rapid progress in large-scale construction. Meanwhile, with the support of CEC rooftop resources, the shared resources with strategic cooperation partners and from the government the provision of resources for ground-mounted power stations, the Group expects to have comparative advantage in future development which will eventually provide a steady profit growth point.

- ***Quartz sand processing***

  During the reporting period, the Group's Hanzhong Quartz Sand Mine Processing Plant achieved the scale of mass production and bulk supply. Its supply of quartz sand to Xianyang photovoltaic glass effectively lowered the production cost of photovoltaic glass and at the same time extended the industry chain.

(2) New materials business

During the reporting period, the Group's lithium battery cathode materials, electronic silver paste and related businesses experienced a rapid growth, with great breakthrough in the sales volume of lithium battery cathode materials and electronic silver paste.

(3) Trading and other businesses

During the reporting period, the operations of the Group's trading and other businesses were steady.

FUTURE PROSPECTS

The year of 2017 is a crucial year for the Group's industrial upgrading. In 2017, we will seek for better market exploration, improve the industrial scale, enhance our industrial chain, and promote our capital operation, to realize the leaping development of the Company and build it into a well-known international green energy service provider.

In 2017, we will focus on the following tasks:

(1) we will further improve our development strategy, consolidate and enhance the vertical integration advantages of solar photovoltaic industry chain and scale advantages, and actively explore overseas markets to promote the upgrading of electronic materials industry;

(2) we will improve our talent team building by vigorously recruiting talents;

(3) we will strengthen our capital operation to facilitate the Company's business development; and

(4) we will pay close attention to the major project developments of photovoltaic glass and photovoltaic stations, etc., to enhance our enterprise business scale and competitiveness.

FINANCIAL REVIEW

(1) Overall performance

- ***Turnover and gross profit margin***

  In 2016, the Group recorded a sales of RMB1,809,333,000, representing an increase of RMB323,415,000, or 21.8% as compared with the same period in 2015. In particular, sales of solar photovoltaic business amounted to RMB1,027,631,000, representing an increase of RMB459,077,000 or 80.74% as compared with the same period in 2015; sales of new materials business amounted to RMB257,155,000, representing an increase of RMB64,825,000 or 33.71% as compared with the same period in 2015; sales of trading business amounted to RMB524,321,000, representing a decrease of RMB199,541,000, or 27.57% as compared with the same period in 2015; other sales amounted to RMB226,000, representing a decrease of RMB946,000, or 80.71% as compared with the same period in 2015. The overall gross profit margin of the Group increased from 2.16% in 2015 to 11.61% in 2016, which was mainly attributable to the substantial lowering of costs in Xianyang photovoltaic glass resulting from the improved quality and efficiency of internal quality management; the increased production and income in Hefei photovoltaic glass; and the maintenance of stable market price in the photovoltaic glass.

- ***Administrative expenses***

  The Group's administrative expenses for 2016 amounted to RMB129,491,000, representing a decrease of RMB39,446,000 or 23.35% as compared with RMB168,937,000 for the same period in 2015. The decrease in administrative expenses was mainly due to the enhancement of expenses management and control by the Company and a decrease in staff remuneration.

- ***Finance costs***

  The Group's finance costs included in profit and loss for 2016 was RMB39,847,000 (net of interest expense capitalized amounting to RMB34,699,000), representing a decrease of RM66,494,000, or 62.53% as compared with RMB106,341,000 for the same period of 2015. The decrease in finance costs included in profit and loss was mainly attributable to the lowering of borrowing interest rates and interest capitalization.

(2) Current assets and financial resources

As at 31 December 2016, the Group's cash and bank balances amounted to RMB428,178,000, representing an increase of 69.51% from RMB252,596,000 as at 31 December 2015. As at 31 December 2016, the Group's total borrowings were RMB2,069,294,000, of which borrowings due within one year amounted to RMB1,552,684,000 and borrowings due beyond one year amounted to RMB516,610,000. As at 31 December 2015, the total borrowings of the Group were RMB1,692,985,000, of which borrowings due within one year amounted to RMB1,466,365,000 and borrowings due beyond one year amounted to RMB226,620,000.

As at 31 December 2016, the Group's bank loans amounting to approximately RMB137,500,000 (31 December 2015: RMB52,000,000) were secured by certain properties, plants and equipment, land use rights, available-for-sale financial assets and bank balances of the Group with an aggregate net carrying amount of approximately RMB306,503,000 (31 December 2015: RMB14,720,000). As at 31 December 2016, the bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB120,000,000 (31 December 2015: RMB441,620,000).

For the year ended 31 December 2016, the turnover days for trade receivables of the Group were 125 days, representing a decrease of 26 days as compared to 151 days for the year ended 31 December 2015. The change of turnover days for trade receivables was mainly attributable to the strengthening of the management and control over receivables and reducing of receivables balances through factoring and securitization of receivables by the Company. For the year ended 31 December 2016, the inventory turnover days of the Group were 25 days, representing a decrease of 7 days as compared with 32 days for the year ended 31 December 2015. The decrease in inventory turnover days was mainly attributable to effective control of inventory size as a result of the continued effort in management and control over the inventory by the Company in consuming its stock, as well as reasonable coordination of materials procurement and production.

(3) Capital structure

As at 31 December 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 a suitable ratio of share capital to liabilities, to ensure an effective capital structure. As at 31 December 2016, the liabilities (including bank borrowings and other borrowings) of the Group totaled RMB2,069,294,000 (31 December 2015: RMB1,692,985,000); cash and bank balances were RMB428,178,000 (31 December 2015: RMB252,596,000); and the gearing ratio was 96% (31 December 2015: 96%).

(4) Foreign exchange risk

The Group's income and most of its expenses are denominated in Renminbi and US dollar. For the 12 months ended 31 December 2016, the operating cost of the Group increased by RMB1,004,000 (31 December 2015: RMB49,000) as a result of exchange rate fluctuations.

(5) Commitments

As at 31 December 2016, capital expenditure commitments of the Group amounted to RMB214,384,000 (31 December 2015: RMB4,138,000), which were mainly financed by the Group's working capital.

(6) Contingent liabilities

As at 31 December 2016, the Group had no material contingent liability.

(7) Pledged assets

As at 31 December 2016, bank loans amounted to approximately RMB137,500,000 (31 December 2015: RMB52,000,000), which were secured by certain properties, plants, equipment, land use rights, available-for-sale financial assets and bank balances of the Group with a net carrying amount of approximately RMB306,503,000 (31 December 2015: RMB14,720,000).

PURCHASE, REDEMPTION AND SALE OF SHARES OF THE COMPANY

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

DESIGNATED DEPOSIT AND OVERDUE TIME DEPOSIT

As at 31 December 2016, the Group had no designated deposits in any financial institutions in China. All of the Group's cash deposits are placed with commercial banks in China, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the year ended 31 December 2016, the Company has complied with the Code Provisions of the CG Code.

AUDIT COMMITTEE

The Company established an audit committee under the Board (the "**Audit Committee**"). The Board adopted all contents set out in code provision C.3.3 of the CG Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to auditing, risk management and internal controls as well as financial reporting, including the audited consolidated financial statements for the year ended 31 December 2016.

MATERIAL ACQUISITION AND DISPOSAL

On 9 May 2016, the Company and Xianyang IRICO entered into the equity transfer agreement, pursuant to which the Company agreed to sell, and Xianyang IRICO agreed to acquire, 60% of the equity interest in Xianyang IRICO Electronic Accessories Co., Ltd.* (咸陽彩虹電子配件有限公司) ("**IRICO Accessories**") at a cash consideration of RMB45,945,900. Such disposal was completed during the reporting period, and the Company had ceased to consolidate IRICO Accessories into its financial statements. For details, please refer to the announcement of the Company dated 9 May 2016.

On 28 September 2016, the Company and CEC entered into the assignment agreement in relation to accounts receivable, pursuant to which the Company agreed to transfer the relevant accounts receivable to CEC at a consideration of RMB36,199,116.30. For details, please refer to the announcement of the Company dated 28 September 2016.

On 28 December 2016, the Company and Xianyang IRICO entered into the assets transfer agreement, pursuant to which the Company agreed to transfer the relevant assets of the operation department of special railway lines to Xianyang IRICO at a cash consideration of approximately RMB4,657,900. For details, please refer to the announcement of the Company dated 28 December 2016.

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 2 December 2016, due to the needs of the business development and future audit of the Company, the Board proposed to dismiss the Company's then domestic auditor ShineWing Certified Public Accountants (信永中和會計師事務所（特殊普通合夥）) and overseas auditor ShineWing (HK) CPA Limited (信永中和（香港）會計師事務所有限公司) (collectively, the "**ShineWing**"), subject to approval by the shareholders of the Company at the extraordinary general meeting of the Company held on 18 January 2017 (the "**EGM**"). The Board proposed to appoint WUYIGE Certified Public Accountants LLP (大信會計師事務所（特殊普通合夥）) and PKF Hong Kong (大信梁學濂（香港）會計師事務所) (collectively, the "**WUYIGE**") as the domestic auditor and overseas auditor of the Company, respectively, to fill the vacancies arising from the dismissal of ShineWing. On 18 January 2017, the appointment of WUYIGE was approved by the shareholders of the Company at the EGM, the term of which commenced on the date of approval by the Shareholders at the EGM up to the date of the 2016 annual general meeting of the Company.

On 28 February 2017, the Company and Xianyang IRICO Electronics Shadow Mask Co., Ltd.* (咸陽彩虹電子網版有限公司) ("**IRICO Shadow Mask**") entered into the equity transfer agreement with Xianyang IRICO, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Xianyang IRICO agreed to acquire 90% equity interest in Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司) ("**Kunshan IRICO**") at a cash consideration of approximately RMB71,439,750. The transaction has yet to be completed, and is subject to the independent shareholders approvals at the general meeting. Upon completion of the disposal, the Company will cease to have any interest in Kunshan IRICO. As such, Kunshan IRICO will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company. For details, please refer to the announcement of the Company dated 28 February 2017 and the circular to be despatched in due course.

PUBLICATION OF THE ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2016 annual 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
22 March 2017

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*