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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)

2017 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 position of the Company and its subsidiaries (collectively referred to as the "**Group**") as of and for the six months ended 30 June 2017, together with comparative figures, as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**989,693**	826,707
Cost of sales		**(898,577)**	(729,736)
Gross profit		**91,116**	96,971
Gain on disposal of subsidiaries	14	**24,195**	18,779
Loss on derecognition of an associate	15	**(12,625)**	–
Other operating income		**82,715**	38,491
Selling and distribution costs		**(43,285)**	(41,501)
Administrative expenses		**(58,384)**	(59,958)
Other operating expenses		**(7,482)**	(7,166)
Finance costs	5	**(33,258)**	(13,475)
Share of profit of associates		**48**	218
Share of loss of a joint venture		**(243)**	–
Profit before tax		**42,797**	32,359
Income tax credit	6	**3,947**	122
Profit for the period	7	**46,744**	32,481

	NOTES	Six months ended 30 June **2017** ***RMB'000*** **(Unaudited)**	 2016 *RMB'000* (Unaudited)
Profit for the period			
Profit for the period attributable to:			
– Owners of the Company		**44,104**	32,751
– Non-controlling interests		**2,640**	(270)
		46,744	32,481
Earnings per share			
– Basic and diluted	9	**0.02**	0.01
Profit for the period		**46,744**	32,481
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of a foreign subsidiary		**(68)**	–
Available-for-sale financial assets:			
– Changes in fair value		**(37,852)**	–
– Reversal of impairment loss		**–**	33,685
Other comprehensive (expense) income for the period		**(37,920)**	33,685
Total comprehensive income for the period		**8,824**	66,166
Total comprehensive income for the period attributable to:			
Owners of the Company		**6,184**	66,436
Non-controlling interests		**2,640**	(270)
		8,824	66,166

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	NOTES	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,442,682**	1,297,645
Investment properties		**11,540**	16,904
Leasehold land and land use rights		**195,055**	109,186
Intangible assets		**20,818**	22,205
Interests in associates		**4,490**	33,517
Interest in a joint venture		**35,548**	35,791
Goodwill		**41,533**	–
Available-for-sale financial assets	10	**383,192**	421,044
		2,134,858	1,936,292
Current assets			
Inventories		**168,844**	113,563
Trade and bills receivables	11	**899,894**	622,119
Other receivables, deposits and prepayments	12	**590,934**	411,733
Tax recoverable		**3,140**	3,140
Restricted bank balances		**90,653**	98,034
Bank balances and cash		**137,119**	428,178
		1,890,584	1,676,767
Non-current assets classified as held for sale		**25,695**	25,563

	NOTES	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	13	**886,040**	695,308
Other payables and accruals		**592,812**	572,650
Tax payables		**5,544**	786
Bank and other borrowings – due within one year		**1,837,685**	1,552,684
Termination benefits		**5,491**	12,099
		3,327,572	2,833,527
Net current liabilities		**(1,411,293)**	(1,131,197)
Total assets less current liabilities		**723,565**	805,095
Capital and reserves			
Share capital		**2,232,349**	2,232,349
Other reserves		**836,216**	874,136
Accumulated losses		**(2,976,667)**	(3,020,771)
Equity attributable to owners of the Company		**91,898**	85,714
Non-controlling interests		**107,385**	66,785
Total equity		**199,283**	152,499
Non-current liabilities			
Bank and other borrowings – due after one year		**412,800**	516,610
Deferred income		**90,231**	98,797
Termination benefits		**20,745**	29,957
Deferred tax liabilities		**506**	7,232
		524,282	652,596
		723,565	805,095

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 was 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.

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 2017 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 RMB1,411,293,000 as at 30 June 2017. 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 condensed interim 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 condensed interim consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain available-for-sale financial assets, which are measured at fair value.

The accounting policies used in the condensed interim consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2017:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvement 2014–2016 Cycle	Disclosure of Interests in Other Entities

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed interim consolidated financial statements and/or on the disclosures set out in these condensed interim consolidated financial statements.

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.

Specifically, the Group's reportable and operating segments under HKFRS 8 are 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

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

Six months ended 30 June 2017

	Solar photovoltaic business *RMB'000* (Unaudited)	New materials business *RMB'000* (Unaudited)	Trading business *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE					
External sales	592,538	147,052	250,103	–	989,693
Segment profit (loss)	47,446	3,280	1,308	(185)	51,849
Unallocated income					54,135
Unallocated expenses					(41,304)
Gain on disposal of subsidiaries					24,195
Loss on derecognition of an associate					(12,625)
Finance costs					(33,258)
Share of loss of associates					48
Share of loss of a joint venture					(243)
Profit before tax					42,797

Six months ended 30 June 2016

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

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/loss on business combination, share of profit/loss of associates and joint venture, impairment loss recognised in respect of inventories, 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.

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

	Solar photovoltaic business *RMB'000*	**New materials business** *RMB'000*	**Trading business** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 30 June 2017 (Unaudited)					
Segment assets	**2,744,921**	**326,188**	**276,274**	**41,211**	**3,388,594**
Unallocated assets					**662,543**
Consolidated total assets					**4,051,137**
At 31 December 2016 (Audited)					
Segment assets	1,930,681	344,580	229,857	100,036	2,605,154
Unallocated assets					1,033,468
Consolidated total assets					3,638,622

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

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 30 June 2017 (Unaudited)					
Segment liabilities	**1,202,208**	**68,452**	**189,805**	**70,929**	**1,531,394**
Unallocated liabilities					**2,320,460**
Consolidated total liabilities					**3,851,854**
At 31 December 2016 (Audited)					
Segment liabilities	879,269	83,852	233,361	126,574	1,323,056
Unallocated liabilities					2,163,067
Consolidated total liabilities					3,486,123

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; 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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank and other borrowings	**31,187**	15,659
Amount due to parent company	**9,836**	14,139
Total borrowing costs	**41,023**	29,798
Less: amounts capitalised in the cost of qualifying assets	**(7,765)**	(16,323)
	33,258	13,475

Borrowing costs capitalised during the period arose on general borrowings pool and are calculated by applying a capitalisation rate of 4.75% per annum (six months ended 30 June 2016: 4.75% per annum) to expenditure on qualifying assets.

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax (credit)/expense		
PRC Enterprise Income Tax	**1,285**	–
Deferred tax	**(5,232)**	(122)
	(3,947)	(122)

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 2017 and 2016.

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%.

Companies are entitled to the Tax Preference Policies for the Western Development in the PRC ("**TPPWD 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), and 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 TPPWD Policy is 15%. From 10 September 2004, date of incorporation of the Company, the operations of the Company have met the requirements under the TPPWD Policy, and accordingly, EIT has been paid at the reduced rate of 15%.

The operation of the subsidiary, Shaanxi IRICO New Material Co., Ltd* (陝西彩虹新材料有限公司) has met the requirements under the TPPWD Policy, and accordingly, EIT has also been provided at 15% for the six months ended 30 June 2017 (2016: nil).

The subsidiary, Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) (formerly known as Jiangsu Yongneng Photovoltaic Technology Company Limited, "**Jiangsu Yongneng**") is entitled to the preferential tax treatment for High and New Technology Enterprise ("**HNTE Policy**"). The applicable reduced preferential EIT rate under the HNTE Policy is 15%.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**1,387**	1,388
Amortisation of leasehold land and land use rights	**1,810**	1,501
Depreciation of property, plant and equipment	**36,157**	24,667
Depreciation of investment properties	**796**	753
Cost of inventories recognised as an expense	**892,128**	729,736
Employee benefit expenses	**16,544**	15,647
Research and development costs	**3,456**	1,600
Operating lease rentals in respect of property, plant and equipment	**4,112**	5,565
Provision for doubtful debts of trade and other receivables (included in administrative expenses)	**6,342**	4,026
(Reversal of provision) provision for inventories (included in other operating expenses)	**(267)**	2,474
Share of tax of associates (included in share of profit of associates)	**14**	59
Provision for warranty	**–**	672
Amortisation of deferred income on government grants received (included in other operating income)	**(4,635)**	(4,592)
Government grants income (included in other operating income)	**(23,946)**	(1,073)
Loss (gain) on disposal of property, plant and equipment	**510**	(14,488)
Bank interest income	**(1,106)**	(759)

8. 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.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company *(RMB'000)*	**44,104**	32,751
Weighted average number of ordinary shares in issue *('000 shares)*	**2,232,349**	2,232,349

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Equity securities listed outside Hong Kong *(Note a)*	**280,176**	318,028
Unlisted equity securities, at cost (*Note b*)	**103,016**	103,016
	383,192	421,044

Notes:

(a) As at 30 June 2017, the listed investments substantially comprise of the investment in equity interests in IRICO Display Devices Co., Ltd.* (彩虹顯示器件股份有限公司) ("**A Share Company**"), which is directly held as to approximately 4.80% (at 31 December 2016: 4.80%) by the Group. A Share Company is a company listed on the Shanghai Stock Exchange. During the period, the Company recorded RMB37,852,000 as other comprehensive loss on fair value changes.

(b) As at 30 June 2017, the unlisted equity securities are 7.30% (at 31 December 2016: 7.30%) equity interest issued by a private company, Shaanxi 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.

11. 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 RMB46,597,000 (at 31 December 2016: RMB29,626,000) presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**490,036**	388,337
91 to 180 days	**301,584**	160,242
181 to 365 days	**46,709**	32,506
Over 365 days	**61,565**	41,034
	899,894	622,119

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other receivables	**191,389**	68,072
Less: allowance for doubtful debts	**(1,379)**	(418)
	190,010	67,654
Leasehold land and land use rights	**1,810**	2,965
Deposits and prepayments	**332,777**	266,980
Value-added tax recoverables	**66,337**	74,134
	590,934	411,733

13. TRADE AND BILLS PAYABLES

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
0 to 90 days	**334,712**	450,171
91 to 180 days	**346,641**	126,919
181 to 365 days	**123,226**	33,607
Over 365 days	**81,461**	84,611
	886,040	695,308

14. GAIN ON DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2017

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 Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("**Zhongdian IRICO**"), a subsidiary of CEC, 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. As a result of such disposal, the Company and IRICO Shadow Mask ceased to have any interest in Kushan IRICO. The update of registration record in the industry and commerce administration authority is still in progress as at 30 June 2017.

The net assets and liabilities of Kunshan IRICO at the date of disposal as at 30 April 2017 were as follows:

	Total *RMB'000*
Analysis of assets and liabilities disposed of:	
Property, plant and equipment	**12,605**
Investment properties	**4,568**
Leasehold land and land use rights	**5,509**
Inventories	**1,001**
Trade and bills receivables	**2,406**
Other receivables, deposits and prepayments	**10,321**
Bank balances and cash	**38,439**
Trade and bills payables	**(215)**
Other payables and accruals	**(21,764)**
Tax payables	**(179)**
	52,691
Gain on disposal of a subsidiary:	
Consideration received	**71,440**
Net assets disposed of	**(52,691)**
Non-controlling interests	**5,269**
Gain on disposal	**24,018**
Net cash inflow arising on disposal:	
Cash consideration	**71,440**
Cash and cash equivalents disposed of	**(38,439)**
	33,001

During the period from 1 January 2017 to 30 April 2017, Kunshan IRICO contributed approximately RMB194,000 and RMB398,000 to the Group's loss and net cash outflow respectively.

On 30 April 2017, Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司), a fellow subsidiary of the Group, injected RMB3,779,100 to IRICO New Energy (Liquan) Co., Ltd.* (禮泉彩虹新能源有限公司) ("**Liquan**"), a wholly-owned subsidiary of the Group, and the Group injected capital of RMB780,900 to Liquan.

These injections resulted in a dilution of the Group's equity interest in Liquan from 100% to 49% and constituted a disposal of the Group's equity interest in a subsidiary.

The assets and liabilities of Liquan were deconsolidated from the Group's condensed consolidated statement of financial position and the resulting interest in Liquan has been accounted for as an associate using equity method.

The gain on disposal of RMB177,000 (detailed calculation is stated below) is recorded in profit and loss of the Group for the period ended 30 June 2017.

The net assets and liabilities of Liquan at the date of disposal as at 30 April 2017 were as follows:

	Total
	RMB'000
Analysis of assets and liabilities (before equity injections on 30 April 2017) disposed of:	
Property, plant and equipment	**9,871**
Trade and bills receivables	**114**
Other receivables, deposits and prepayments	**1,329**
Bank balances and cash	**335**
Trade and bills payables	**(1,343)**
Other payables and accruals	**(7,800)**
Tax payables	**(1)**
	2,505
Gain on disposal of a subsidiary:	
Capital injection by the Group	**(781)**
Net assets disposed of	**(2,505)**
Fair value of retained interest	**3,463**
Gain on disposal	**177**
Net cash outflow of cash and cash equivalents:	
Cash and cash equivalents disposed of	**(335)**

During the period from 1 January 2017 to 30 April 2017, Liquan contributed a loss and net cash outflow of approximately RMB14,000 and RMB417,000 to the Group's loss and net cash outflow respectively.

For the six months ended 30 June 2016

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

	Total *RMB'000*
Analysis of assets and liabilities disposed of:	
Property, 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)
	45,278

	Total
	RMB'000
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
Net cash inflow 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 approximately RMB16,000 and RMB23,000 to the Group's loss and net cash outflow respectively.

15. ACQUISITION OF A SUBSIDIARY

On 22 March 2017, the Group acquired 30% equity interest in Jiangsu Yongneng, from certain existing shareholders of Jiangsu Yongneng at a cash consideration of RMB68,000,000. Jiangsu Yongneng was the Group's associate as at 31 December 2016. Upon completion of the acquisition, the equity interest in Jiangsu Yongneng held by the Group increased from 21% of the issued share capital of Jiangsu Yongneng to 51% as enlarged by the acquisition.

The fair value of the identifiable assets and liabilities of Yongneng as at the date of acquisition is as follows:

	Total
	RMB'000
Property plant and equipment	**116,778**
Leasehold land and land use rights	**16,874**
Deferred tax asset	**1,494**
Inventories	**120,413**
Trade and bills receivables	**560,515**
Other receivables, deposits and prepayments	**63,539**
Bank balances and cash	**48,347**
Trade and bills payable	**(684,252)**
Other payables and accruals	**(64,546)**
Bank borrowings	**(88,000)**
Tax payables	**(2,939)**
	88,223

Goodwill arising on acquisition:

Consideration for acquisition	**68,000**
Less: Fair value of identifiable net assets acquired	**(26,467)**
Goodwill	**41,533**

Net cash outflow on acquisition:

Cash consideration	**68,000**
Cash and cash equivalents acquired	**(48,347)**
	19,653

Jiangsu Yongneng became a non-wholly owned subsidiary of the Group after the acquisition. Its financial results were consolidated into the financial statements of the Company since then and a loss arose from the derecognition of the Group's interest in an associate.

	Total
	RMB'000
Carrying amount of the Group's interest in Jiangsu Yongneng	31,152
Fair value of the Group's interest in Jiangsu Yongneng as at the acquisition date	(18,527)
Loss on derecognition of an associate	12,625

EXTRACT FROM INDEPENDENT REVIEW REPORT PREPARED BY INDEPENDENT AUDITOR

The Company would like to provide an extract of the independent review report prepared by PKF Hong Kong Limited (the independent auditor) on the Group's financial information for the six months ended 30 June 2017 as set out below:

"Material uncertainty related to going concern

We draw attention to the condensed interim consolidated financial statements which indicate that the Group had net current liabilities of RMB1,411,293,000 as at 30 June 2017. As set out in Note 2 to the condensed interim consolidated financial statements, this condition, along with other matters as set forth in Note 2, indicate that a material uncertainty exists 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

During the reporting period, the Group recorded revenue of RMB989,693,000, representing an increase of 19.72% as compared with the same period of last year. The Company realised profit before tax of RMB42,797,000, representing an increase of 32.26% as compared with the same period of last year (profit before tax for the first half of 2016 was RMB32,359,000).

As there was no accumulated operating surplus in the first half of 2017, the Board has resolved not to distribute any interim dividend for the six months ended 30 June 2017.

BUSINESS REVIEW AND OUTLOOK

1. Operation highlights

During the reporting period, the Group increased the sales by approximately 20% over the same period of last year by promoting lean production and implementing large customer and high quality customer strategies. The production capacity of solar photovoltaic glass was continuously rising, the yield of production lines increased materially, and the production cost decreased significantly with remarkable effect on inventory reduction; photovoltaic power station projects ran well, scale construction was actively advancing, and the power purchase business was launched; and the business of new materials such as lithium battery anode materials grew rapidly.

2. Business achievements

(1) Solar photovoltaic business

- *Solar photovoltaic glass*

  During the reporting period, the Group's solar photovoltaic glass business continued to expand and the production and sales further increased as compared with the corresponding period of last year, and the pass percentage of the products has improved steadily, achieving an advanced standard in the industry. Our works on cost reduction, efficiency improvement and lean production have progressed well.

  Meanwhile, the construction of 800-850T/D Yan'an photovoltaic glass project progressed well, and the expansion of 800T/D Hefei photovoltaic glass project phase II was expected to be put into production in the third quarter of 2017 as scheduled. As for the relocation project of 800T/D Xianyang photovoltaic glass production lines, project survey and demonstration have been both completed, and the company registration is in process.

- *Solar photovoltaic power station*

  During the reporting period, the Group has aggressively promoted tracking and construction of distributed and ground-mounted centralized photovoltaic power station projects, with about 148MW projects being surveyed and visited, and about 58MW projects having been contracted currently. During the reporting period, the Group has completed the construction of photovoltaic power stations in Nanjing, Liquan, Hefei, Wuhan, etc. In the coming two years, the Group will invest by batches in the construction of distributed photovoltaic power station projects in Xianyang Liquan Park, Hefei, Nanjing, Yan'an, etc., as well as ground-mounted centralized photovoltaic power station projects in Shenmu, Yangjiang, Leizhou, etc. The Group also plans to invest through cooperation in the construction of photovoltaic power station projects in Indonesia, India, Africa, Pakistan and other overseas markets. Meanwhile, the Group is actively promoting its power purchasing business.

- *Quartz sand processing*

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

(2) New materials business

During the reporting period, the Group's lithium battery anode materials business grew rapidly, representing an increase of more than 40% in the production and sales volume as compared with the same period of last year, and product qualification rate was much higher. The Group intends to develop this business towards a better and stronger position by further enhancing product quality and customer satisfaction.

(3) Trading and other businesses

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

FINANCIAL REVIEW

1. Overall performance

During the reporting period, the Group's main business grew strongly, with sales of RMB989,693,000, representing an increase of RMB162,986,000 or 19.72% for the same period of last year. The profit before tax was RMB42,797,000, representing a year-on-year increase of RMB10,438,000 or 32.26%. Despite the impacts of decline in photovoltaic glass prices and rising financing costs, the Group achieved rapid growth in sales and profits by actively expanding the scale of photovoltaic glass business, reducing cost and enhancing efficiency, and applying for government subsidies.

2. Capital structure

As at 30 June 2017, the Group's borrowings were mainly denominated in Renminbi and US dollars, while its cash and bank balances were held in Renminbi, Hong Kong dollars and US dollars. The Group intends to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure. As at 30 June 2017, the liabilities (including bank borrowings and other borrowings) of the Group totaled RMB2,250,485,000 (31 December 2016: RMB2,069,294,000); the cash and bank balances were RMB137,119,000 (31 December 2016: RMB428,178,000); and the gearing ratio was 95% (31 December 2016: 96%).

3. Foreign exchange risk

The Group's income and most of its expenses were denominated in Renminbi and US dollar. For the six months ended 30 June 2017, the operating costs of the Group decreased by RMB931,000 (30 June 2016: decreased by RMB639,000) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

4. Commitments

As at 30 June 2017, capital expenditure commitments of the Group amounted to RMB585,866,000 (31 December 2016: RMB214,384,000).

5. Contingent liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

6. Pledged assets

As at 30 June 2017, bank loans amounted to approximately RMB291,317,000, which were secured by certain properties, plants and equipment, land use rights, available-for-sale financial assets and bank balances of the Group with a net carrying amount of approximately RMB384,297,000. As at 31 December 2016, bank loans amounted to approximatelyRMB137,500,000, which were secured by certain properties, plants and 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.

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.

MATERIAL LITIGATIONS

During the reporting period, the Company was involved in litigations in relation to disputes arising from the share purchase agreement, pursuant to which the Company was to acquire 30% equity interest in Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) (formerly known as Jiangsu Yongneng Photovoltaic Technology Company Limited, "**Jiangsu Yongneng**"). Please refer to the announcement of the Company dated 4 November 2016 for details. The original first instance judgement of such litigations was not required to be enforced, and the cases were closed in March 2017.

The Directors consider that the above litigation cases have no negative impact on the overall financial or operating conditions of the Company.

Save as disclosed above, the Directors are not aware of any new litigations or claims of material adverse effect pending or threatened to be made by or against any member of the Group.

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 six months ended 30 June 2017, 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 unaudited condensed interim consolidated financial statements for the six months ended 30 June 2017.

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

MATERIAL ACQUISITION AND DISPOSAL

Further acquisition of 30% equity interest in Jiangsu IRICO Yongneng New Energy Company Limited

On 29 September 2011, 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) ("**Suzhou Yongjin**") and the then other shareholders of Jiangsu Yongneng entered into the share purchase agreement, pursuant to which the Company has conditionally agreed to acquire an aggregate of 30% equity interest in Jiangsu Yongneng.

On 22 March 2017, since all of the parties intended to complete the acquisition of 30% equity interest in Jiangsu Yongneng as soon as practicable through friendly negotiation, the Company, Sunlink Power, Suzhou Huilian, Suzhou Yongjin 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 conditionally agreed to acquire, and Sunlink Power, Suzhou Huilian and Tiancheng Energy conditionally agreed to sell, an aggregate of 30% equity interest in Jiangsu Yongneng for a total cash consideration of RMB68,000,000. Upon completion of the acquisition, the Company holds 51% equity interest in Jiangsu Yongneng in aggregate. Jiangsu Yongneng has become a subsidiary of the Company and its financial results have been consolidated into the financial statements of the Company.

For details, please refer to the announcements of the Company dated 29 September 2011 and 22 March 2017 and the circular of the Company dated 31 May 2017.

Disposal of 90% equity interest in Kunshan IRICO Industry Co., Ltd

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 Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("**Zhongdian IRICO**"), pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Zhongdian 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. 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 financial statements of the Company. The disposal has been approved by independent shareholders at the extraordinary general meeting held on 27 April 2017. The update of registration record in the industry and commerce administration authority is still in progress as at 30 June 2017.

For details, please refer to the announcement of the Company dated 28 February 2017 and the circular of the Company dated 3 April 2017.

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

OTHER MATTERS

Change of Auditors

At the extraordinary general meeting of the Company held on 18 January 2017, 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) were appointed as the domestic auditor and overseas auditor of the Company, respectively. On 10 May 2017, due to the reorganisation of PKF Hong Kong to PKF Hong Kong Limited (大信梁學濂(香港)會計師事務所有限公司), PKF Hong Kong retired as overseas auditor of the Company with effect from the conclusion of the 2016 annual general meeting of the Company.

At the annual general meeting held on 30 June 2017, the Company has re-appointed WUYIGE Certified Public Accountants LLP as the domestic auditor of the Company for the year 2017 and appointed PKF Hong Kong Limited as the overseas auditor of the Company for the year 2017.

Appointment of Secretary to the Board

During the reporting period, Mr. Ni Huadong has been appointed as the secretary to the Board of the Company. For details, please refer to the announcement of the Company dated 8 May 2017.

Proposed Issue of New H Shares under Specific Mandate; Connected Transaction Relating to Proposed Subscription of New H Shares by a Connected Person; and Proposed Subscription of New H Shares by an Independent Third Party

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

As part of the proposed H share issue, the Company entered into the subscription agreements with each of Zhongdian IRICO and Yan'an Dingyuan on 24 July 2017. Pursuant to these subscription agreements, each of Zhongdian IRICO and Yan'an Dingyuan has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 900 million and 300 million new H shares at a consideration of RMB900 million and RMB300 million, respectively.

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

For details, please refer to the announcement of the Company dated 24 July 2017.

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

The 2017 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 People's Republic of China
22 August 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 purposes only*