IRICO

彩虹集團新能源股份有限公司
IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

2018 INTERIM 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 2018, together with comparative figures, as follows.

BALANCE SHEET

As at 30 June 2018

Item	Closing Balance (Unaudited)	Opening Balance (Unaudited)
Current Assets:		
Cash at bank and on hand	**327,386,114.24**	491,507,931.96
Held-for-trading financial assets	**991,157.72**	
Derivative financial assets		
Bills and accounts receivables	**1,119,598,712.95**	942,966,856.48
Prepayments	**102,735,775.14**	198,778,715.79
Other receivables	**211,189,111.41**	53,949,968.87
Inventories	**118,112,240.36**	191,165,827.81
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	**108,626,805.87**	75,671,306.26
Total current assets	**1,988,639,917.69**	1,954,040,607.17
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	**180,640,441.23**	54,160,965.99
Other investments in equity instruments	**352,768,509.19**	364,442,481.28
Other non-current financial assets		
Investment properties		10,961,164.31
Fixed assets	**799,775,084.68**	819,662,248.83
Construction in progress	**1,396,990,062.31**	941,639,097.86
Productive biological assets		
Oil and gas assets		
Intangible assets	**269,124,059.78**	232,365,319.19
Development expenditures		
Goodwill	**41,533,010.55**	41,533,010.55
Long-term deferred expenses	**13,715,730.57**	6,722,661.07
Deferred tax assets	**502,525.08**	588,775.47
Other non-current assets	**3,140,102.54**	170,490,405.25
Total non-current assets	**3,058,189,525.93**	2,642,566,129.80
Total assets	**5,046,829,443.62**	4,596,606,736.97

Item	Closing Balance (Unaudited)	Opening Balance (Unaudited)
Current liabilities:		
Short-term borrowings	**346,087,681.00**	557,298,613.98
Held-for-trading financial liabilities		
Derivative financial liabilities		
Bills and accounts payables	**1,472,933,654.70**	1,314,986,109.96
Receipts in advance	**61,403,505.33**	164,982,905.40
Contract liabilities		
Employee benefits payable	**59,053,780.38**	76,411,356.89
Taxes payable	**23,344,321.66**	16,413,033.69
Other payables	**1,685,416,852.08**	1,513,954,011.83
Held-for-sale liabilities		
Non-current liabilities due within one year	**201,928,531.16**	222,729,511.26
Other current liabilities		
Total current liabilities	**3,850,168,326.31**	3,866,775,543.01
Non-current liabilities:		
Long-term borrowings	**657,775,532.31**	395,398,700.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables	**7,000,000.00**	7,000,000.00
Estimated liabilities		3,809,262.97
Deferred income	**80,162,245.59**	81,475,121.13
Deferred tax liabilities	**615,762.33**	559,280.19
Other non-current liabilities		
Total non-current liabilities	**745,553,540.23**	488,242,364.29
Total Liabilities	**4,595,721,866.54**	4,355,017,907.30

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

INCOME STATEMENT

January – June 2018

Item	**January–June 2018 (Unaudited)**	January–June 2017 (Unaudited)
I. Operating revenue	**1,167,280,933.43**	1,066,211,643.89
Including: Principal operating revenue	**1,148,086,553.01**	989,693,124.57
Other operating revenue	**19,194,380.42**	76,518,519.32
Less: Operating costs	**968,554,023.30**	958,219,809.30
Including: Principal operating costs	**962,808,239.96**	892,579,813.73
Other operating costs	**5,745,783.34**	65,639,995.57
Taxes and surcharges	**7,772,875.14**	5,997,146.88
Selling expenses	**37,179,655.38**	43,285,242.93
Administrative expenses	**50,015,508.60**	47,438,210.78
Research and development expenses	**18,331,534.54**	3,456,302.65
Finance costs	**33,871,559.16**	30,974,368.79
Including: Interest expense	**39,498,006.12**	33,258,484.42
Interest income	**782,621.13**	1,979,518.17
Impairment losses on assets	**695,722.81**	3,457,559.16
Credit impairment losses		
Add: Other income	**30,932,680.64**	19,580,593.47
Investment income (loss is represented by "-")	**144,260,020.58**	11,373,806.91
Including: Gains from investment in associates and joint ventures	**-230,771.66**	-13,383,525.65
Gains from net exposure hedges (loss is represented by "-")		
Gains from changes in fair value (loss is represented by "-")	**215,036.56**	
Gains from disposal of assets (loss is represented by "-")		-509,510.28
II. Operating profit (loss is represented by "-")	**226,267,792.28**	3,827,893.50
Add: Non-operating income	**97,298.86**	34,307,045.56
Less: Non-operating expenses	**87,857.45**	2,598,907.22
III. Total profit (total loss is represented by "-")	**226,277,233.69**	35,536,031.84
Less: Income tax expenses	**5,108,217.96**	3,285,058.32
IV. Net profit (net loss is represented by "-")	**221,169,015.73**	32,250,973.52
(I) Classified by continuity of operations：		
1. Net profit from continuing operations (net loss is represented by "-")	**221,169,015.73**	32,250,973.52
2. Net profit from discontinued operations (net loss is represented by "-")		

Item	**January–June 2018 (Unaudited)**	January–June 2017 (Unaudited)
(II) Classified by ownership of equity:		
1. Net profit attributable to the shareholders of the Company (net loss is represented by "-")	**202,029,611.62**	29,643,949.54
2. Minority interests (net loss is represented by "-")	**19,139,404.11**	2,607,023.98
V. Other comprehensive income, net of tax	**-11,650,268.33**	-40,584,133.10
Other comprehensive income (net of tax) attributable to the shareholders of the Company	**-11,650,268.33**	-40,584,133.10
(I) Other comprehensive income that cannot be reclassified to profit or loss	**-11,673,972.09**	-37,851,970.11
1. Re-measurement of changes in defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profit or loss under equity method	**-11,673,972.09**	-37,851,970.11
(II) Other comprehensive income that will be reclassified to profit or loss	**23,703.76**	-2,732,162.99
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Gain or loss from change in fair value of available-for-sale financial assets		
3. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
4. Effective portion of gain or loss from cash flow hedges		
5. Exchange differences from translation of foreign currency financial statements	**23,703.76**	-2,732,162.99
6. Others		
Other comprehensive income (net of tax) attributable to minority shareholders		
VI. Total comprehensive income	**209,518,747.40**	-8,333,159.58
Total comprehensive income attributable to the shareholders of the Company	**190,379,343.29**	-10,940,183.56
Total comprehensive income attributable to minority shareholders	**19,139,404.11**	2,607,023.98
VII. Earnings per share		
(I) Basic earnings per share	**0.09**	0.013
(II) Diluted earnings per share		

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018

I. 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 the 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.

IRICO Group Corporation ((彩虹集團有限公司, "**IRICO Group**") is the Company's parent company and the ultimate holding company is China Electronics Corporation ("**CEC**").

The condensed interim consolidated financial statements are presented in Renminbi ("**RMB**"), the functional currency of the Company.

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

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

II. BASIS OF PREPARATION

(I) Basis of preparation: The financial statements of the Company have been prepared on a going concern basis in respect of actual transactions and matters, in accordance with the Accounting Standards for Business Enterprises-Basic Standards and specific accounting standards (together referred to as the "**Accounting Standards for Business Enterprises**") promulgated by the Ministry of Finance of the People's Republic of China, and based on the following significant accounting policies and estimates.

(II) Going concern: During the period from January to June 2018, the Company achieved consistent increase in production capacity of the production lines, new heights in respect of the proportion of qualified products, significant reduction of production cost, remarkable improvement in production efficiency and steady progress of project construction, technological innovation and enhancement of quality and efficiency. Meanwhile, the Company obtained gains on investment of RMB144.15 million from the transfer of 51% equity interests in Zhuhai Caizhu. From January to June, the Company recorded total profit of RMB226.28 million in aggregate. As shown on the financial statements of the Company as at 30 June 2018, the Company recorded accumulated losses of RMB2,751.30 million, with a gearing ratio of 91.06%, and its net current liabilities amounted to RMB1,861.53 million, indicating that the Company would be under heavy debt repayment pressure in the short term.

While preparing the financial statements for the year, the Board had conducted a detailed and thorough review of the Company's going-concern ability with reference to the current operational and financial situation of the Company, put forward the improvement measures as disclosed at note 16(2) and obtained a financial support commitment letter from IRICO Group, the controlling shareholder of the Company. Based on the above, the management was of the view that the Company would be able to generate expected benefits from its business transformation and obtain sufficient funding required for ensuring its production and operating activities, repaying debts as they fall due and financing capital expenditures.

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

III. SIGNIFICANT ACCOUNTING POLICIES

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

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

(II) Accounting period

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

(III) Operating cycle

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

(IV) Functional currency

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

(V) Business combinations

1. Business combinations under common control

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

2. Business combinations not under common control

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

(VI) Preparation method of consolidated financial statements

1. Scope of consolidated financial statements

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

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

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

3. Offsetting in consolidated financial statements

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

4. Accounting treatment of subsidiaries acquired from combination

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

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

1. Classification of joint arrangements

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

2. Accounting treatment for joint operations

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

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

3. *Accounting treatment for joint ventures*

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

(VIII) Recognition standard for cash and cash equivalents

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

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

1. *Translation of foreign currency transactions*

Foreign currency transactions of the Company are translated into and recorded in the functional currency at spot rate on the transaction date. At the balance sheet date, monetary items denominated in foreign currency are translated using the spot exchange rate on that date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used at initial recognition or on the last balance sheet date shall be recorded into profit or loss for the current period, except for those arising from specific borrowings denominated in foreign currency and qualified for capitalisation, which are capitalised as cost of the related assets during the capitalisation period. Translation of non-monetary items denominated in foreign currency and measured at historical cost shall continue to be based on the spot exchange rate on the date of transaction, without changing the amount in its functional currency.

Non-monetary items denominated in foreign currency and measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. Upon translation, the difference between the amounts in functional currency upon translation and in original functional currency shall be treated as change in fair value (including the change in the exchange rate), and included in profit or loss for the current period or recognised as other comprehensive income.

2. Translation of financial statements denominated in foreign currency

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

(X) Financial instruments

1. Classification and reclassification of financial instruments

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

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

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

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

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

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

2. *Measurement of financial instruments*

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

(1) Financial assets

① Financial assets measured at amortised costs

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

② Financial assets at fair value through current profit or loss

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

③ Debt investments at fair value through other comprehensive income

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

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

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

(2) Financial liabilities

① Financial liabilities at fair value through current profit or loss

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

② Financial liabilities measured at amortised costs

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

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

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

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

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

(1) Where the Company did not retain the control over the financial asset, it shall derecognize the financial asset and the rights and obligations arising from or retained in the transfer shall be individually recognized as assets or liabilities.

(2) Where the Company retained the control over the financial asset, it shall continue to recognize relevant financial asset based on the extent of continuing involvement in the transferred financial asset and recognize relevant liabilities. The extent of continuing involvement in the transferred financial asset refers to the extent of risks and rewards on the changes of the value of the transferred financial asset undertaken by the Company.

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

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

5. Impairment of financial assets

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

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

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

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

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

(XI) Inventories

1. Classification

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

2. Measurement for inventories delivered

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

3. Provision for impairment

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

4. Inventory system

The Company adopts perpetual inventory system.

5. Amortisation of low-value consumables and packaging materials

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

(XII) Long-term equity investments

1. Determination of initial investment cost

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

2. Subsequent measurement and recognition of profit and loss

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

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

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

(XIII) Investment properties

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

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

(XIV) Fixed assets

1. *Conditions for recognition of fixed assets*

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

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

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

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

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

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

(XV) Construction in progress

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

(XVI) Borrowing costs

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

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

2. *Calculation of amount to be capitalized*

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

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

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

(XVII) Intangible assets

1. Measurement of intangible assets

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

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

2. Determination basis of infinite useful life

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

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

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

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

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

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

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

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

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

(1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale;

(2) the intention to complete the intangible asset for use or for sale;

(3) there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market;

(4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;

(5) the expenditures attributable to the development phase of the intangible asset could be reliably measured.

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

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

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

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

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

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

(XIX) Long-term prepayments

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

(XX) Employee benefits

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

1. Short-term benefits

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

2. Post-employment benefits

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

3. Termination benefits

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

4. Other long-term employee benefits

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

(XXI) Estimated liability

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

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

(XXII) Revenue

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

① Parties to the contracts have approved such contract and committed that they would perform their respective obligations;

② The contracts specified the rights and obligations of all parties on the goods transferred or services provided (hereafter referred to as "**goods transferred**");

③ The contracts have clear payment terms on the goods transferred;

④ The contracts are of commercial nature, namely that the performance of the contracts will change of risks, time or amount of the future cash flows of the Company; and

⑤ The consideration entitled to the Company from the transfer of goods to the customer is likely to be withdrawn.

(XXIII) Government grants

1. Types of government grants

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

2. Accounting treatment of government grants

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

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

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

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

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

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

4. *Timing for recognition of governmental grants*

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

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

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

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

(XXIV) Deferred tax assets/deferred tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are recognized based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or, for items not recognized as assets or liabilities but whose tax base can be determined under tax laws, such tax base can be determined as their difference), and are calculated at the tax rates expected to apply to the period in which the assets are recovered or the liabilities are settled.

2. Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. At the balance sheet date, deferred income tax assets unrecognized in prior periods are recognized to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

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

(XXV) Lease

1. Accounting treatment for operating leases: Rental expenses for operating leases shall be charged to the cost of the relevant assets or the current profit or loss on a straight-line basis over the lease term.

2. Accounting treatment for financing leases: A leased asset shall be measured at the lower of its fair value and the present value of relevant minimum lease payment. The difference between the carrying amount of the leased asset and the minimum lease payment shall be treated as unrecognized financing expenses and amortized using effective interest rate method over the lease term. The balance derived from deducting the unrecognized financing expenses from the minimum lease payment shall be presented as long-term payables.

IV. SEGMENT REPORTING

1. Preparation basis and accounting policy of the segment reporting

The Company operating segments are mainly based on the information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance, and focus on types of goods. The Company has the following four major operating segments: (a) solar photovoltaic business, (b) new materials business – production and sales of luminous materials and lithium battery anode materials, (c) trading business – trading of solar modules and other related accessories, and (d) others.

2. Financial information of the segment reporting

Unit: RMB0'000

For the period		Solar photovoltaic business	New materials business	Trading business	Others	Inter-segment eliminations
I.	Operating revenue	**89,444.50**	**17,670.61**	**7,413.59**	**2,648.67**	**-449.27**
II.	Operating cost	**73,532.95**	**15,739.85**	**6,885.53**	**1,146.35**	**-449.27**
III.	Ga in from investments in associates and joint ventures			**-23.72**	**481.45**	**-480.81**
IV.	Asset impairment losses	**-4.14**	**73.50**			**0.21**
V.	Depreciation and amortization	**3,704.76**	**67.03**	**158.94**	**93.00**	**1.88**
VI.	Total profit	**9,941.13**	**1,556.26**	**280.35**	**5,034.66**	**5,815.32**
VII.	Income tax expenses	**510.82**	**-10.79**			**10.79**
VIII.	Net profit	**9,430.31**	**1,567.05**	**280.35**	**5,034.66**	**5,804.53**
IX.	Total assets	**346,926.51**	**39,055.10**	**21,598.22**	**261,547.23**	**-164,444.11**
X.	Total liabilities	**198,180.78**	**14,859.49**	**11,307.49**	**267,558.51**	**-32,334.08**

Unit: RMB0'000

For the same period last year		Solar photovoltaic business	New materials business	Trading business	Others	Inter-segment eliminations
I.	Operating revenue	59,398.22	14,705.20	24,980.35	7,537.39	
II.	Operating cost	50,782.32	13,819.45	24,666.46	6,553.75	
III.	Ga in from investments in associates and joint ventures			-18.78	-1,319.57	
IV.	Asset impairment losses	-3,175.97	160.84	245.50	-247.73	3,363.11
V.	Depreciation and amortization	3,827.02	88.91	182.32		731.44
VI.	Total profit	6,715.01	279.74	-160.83	-527.37	-2,752.94
VII.	Income tax expenses	131.51	-17.91			214.90
VIII.	Net profit	6,583.49	297.64	-160.83	-527.37	-2,967.84
IX.	Total assets	—	—	—	—	—
X.	Total liabilities	—	—	—	—	—

V. TAXATION

(I) Major tax categories and tax rates

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

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

(II) Major preferential tax treatment and approvals

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

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

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

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

VI. OTHER EQUITY INVESTMENTS

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

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

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

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

VII. ACCOUNTS AND BILLS RECEIVABLES

Category	Closing Balance (Unaudited)	Opening Balance (Unaudited)
Notes receivable	**313,800,203.58**	438,566,911.32
Accounts receivable	**840,114,038.37**	546,894,837.18
Less: allowance for bad debts	**34,315,529.00**	42,494,892.02
Total	**1,119,598,712.95**	942,966,856.48

1. Ageing analysis

	Closing Balance (Unaudited)	Opening Balance (Unaudited)
0 to 90 days	**698,966,302.45**	502,578,244.41
90 to 180 days	**310,503,139.40**	246,786,789.35
181 to 365 days	**87,479,487.07**	162,830,117.85
Over 365 days	**22,649,784.03**	30,771,704.87
Total	**1,119,598,712.95**	942,966,856.48

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

VIII. OTHER RECEIVABLES

Category	**Closing Balance (Unaudited)**	Opening Balance (Unaudited)
Other receivables	**216,312,297.20**	55,558,706.43
Less: allowance for bad debts	**5,123,185.79**	1,608,737.56
Total	**211,189,111.41**	53,949,968.87

(1) Other receivables by nature

Nature	**Closing Balance (Unaudited)**	Opening Balance (Unaudited)
Security deposit	**19,275,551.12**	18,036,191.12
Deposit, reserve	**2,561,189.80**	2,923,394.51
Current accounts	**194,165,630.27**	33,709,016.99
Social insurance contributions made for employees	**33,378.17**	89,448.28
Others	**276,547.84**	800,655.53
Total	**216,312,297.20**	55,558,706.43

IX. NOTES AND ACCOUNTS PAYABLES

Item	Closing Balance (Unaudited)	Opening Balance (Unaudited)
Notes payable	**558,288,127.76**	566,500,363.01
Accounts payable	**914,645,526.94**	748,485,746.95
Total	**1,472,933,654.70**	1,314,986,109.96

1. Notes payable

Item	Closing Balance (Unaudited)	Opening Balance (Unaudited)
Bank acceptance bills	**558,288,127.76**	566,500,363.01
Total	**558,288,127.76**	566,500,363.01

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

2. Accounts payable

(1) By aging

Item	Closing Balance (Unaudited)	Opening Balance (Unaudited)
Within 1 year (including 1 year)	**864,326,206.09**	626,792,197.77
Over 1 year	**50,319,320.85**	121,693,549.18
Total	**914,645,526.94**	748,485,746.95

X. SHORT-TERM LOANS

1. Categories of short-term loans

Borrowing conditions	Closing balance (Unaudited)	Opening balance (Unaudited)
Pledged loans	**152,087,681.00**	298,298,613.98
Mortgaged loans	**18,000,000.00**	33,000,000.00
Guaranteed loans	**176,000,000.00**	226,000,000.00
Total	**346,087,681.00**	557,298,613.98

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

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

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

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

XI. LONG-TERM LOANS

Borrowing conditions	**Closing balance (Unaudited)**	Opening balance (Unaudited)	**Interest rate range**
Mortgaged loans	**425,455,532.31**	210,700,000.00	4.655%–7.47%
Guaranteed loans	**224,020,000.00**	180,298,700.00	4.655%–5.23%
Credit loans	**8,300,000.00**	4,400,000.00	5.795%
Total	**657,775,532.31**	395,398,700.00	

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

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

Maturity profile of long-term loans

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

XII. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

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

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

XIII. FINANCE COSTS

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

Note: The total interest expenses for the year amounted to RMB51,775,581.56, including the expended amount of RMB39,498,006.12 and capitalized amount of RMB12,277,575.44.

XIV. INVESTMENT INCOME

Category	**Amount for the period (Unaudited)**	Amount for the previous period (Unaudited)
Income from long-term equity investments measured under equity method	**-230,771.66**	-13,383,525.65
Investment income from disposal of subsidiaries	**144,153,897.33**	24,186,061.32
Investment income from disposal of financial assets at fair value through current profit or loss	**336,894.91**	
Others		571,271.24
Total	**144,260,020.58**	11,373,806.91

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

XV. EARNINGS PER SHARE

Category	**Amount for the period (Unaudited)**	Amount for the same period last year (Unaudited)
Number of ordinary shares in issue	**2,232,349,400.00**	2,232,349,400.00
Earnings per share	**0.09**	0.013

XVI. OTHER MATTERS

(I) Proposed non-public issue of shares

According to the announcements of the Company on 24 July 2017, 16 October 2017, 1 February 2018 and 18 April 2018 in relation to the issuance of new H shares, the Company will issue not more than 2.3 billion new H shares, and the proceeds to be raised therefrom will be used in Yan'an Photovoltaic Glass Project, Hefei Photovoltaic Glass Project (Phase II), Xianyang Photovoltaic Glass Relocation and Technical Innovation Project, Jiangsu Yongneng 2GW Photovoltaic modules and to supplement the working capital of the Company. Pursuant to the subscription agreements, each of Zhongdian IRICO, Zhangjiagang Investment, Yan'an Dingyuan and Hefei Xincheng has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 900 million,500 million, 300 million and RMB200 million new H shares at a consideration of RMB900 million, RMB500 million, RMB300 million and RMB200 million, respectively.

As at the date of the audit report, the matter has not been completed.

(II) Improvement measures to ensure going-concern ability

As stated in Note II, during the period from January to June 2018, the Company achieved consistent increase in production capacity of the production lines, new heights in respect of the proportion of qualified products, significant reduction of production cost, remarkable improvement in production efficiency and steady progress of project construction, technological innovation and enhancement of quality and efficiency. Meanwhile, the Company obtained gains on investment of RMB144.15 million from the transfer of 51% equity interests in Zhuhai Caizhu. From January to June, the Company recorded total profit of RMB226.28 million in aggregate. As shown on the financial statements of the Company as at 30 June 2018, the Company recorded accumulated losses of RMB2,751.30 million, with a gearing ratio of 91.06%, and its net current assets amounted to RMB1,861.53 million, indicating that the Company would be under heavy debt repayment pressure in the short term. As such, there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company has obtained a letter of financial support commitment from its controlling shareholder IRICO Group, and the management of the Company will, based on the current operation and management situation of the Company, adopt the following measures to ensure the Company' ability to continue as a going concern:

(1) Enhance technical management to achieve rapid technological breakthroughs;

(2) Actively carry out research on new technologies to lay a foundation for steady improvement of yield rate;

(3) Adopt an effective marketing strategy to increase sales and reduce inventories;

(4) Take a market-oriented approach and continuously reduce cost;

(5) Increase fundraising efforts to ensure the safety of capital chain.

EXTRACT FROM INDEPENDENT REVIEW REPORT PREPARED BY INDEPENDENT AUDITOR

The Company would like to provide an extract of the independent review report prepared by WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)), the independent auditor, on the Group's financial information for the six months ended 30 June 2018 as set out below:

"**Material uncertainty related to going concern**

We hereby remind the readers of the financial statements that, as set out in the financial statements, as of 30 June 2018, the net current liabilities of the Company amounted to RMB1,861.53 million. Notwithstanding that the Company has given full disclosure on its proposed improvement measures in the notes to the financial statements, there are uncertainties as to the ability to continue as a going concern."

RESULTS AND DIVIDEND

During the reporting period, the Group recorded operating revenue of RMB1,167.28 million (Interim operating income in 2017: RMB1,066.21 million), representing a year-on-year increase of 9.48%; total profit of RMB226.28 million (Interim total profit in 2017: RMB35.54 million), representing a year-on-year increase of 536.75%; net profit of RMB221.17 million (Interim net profit in 2017: RMB32.25 million), representing a year-on-year increase of 585.77%.

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

BUSINESS REVIEW AND PROSPECTS

1. Operation summary

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

2. Business progress

(1) Solar photovoltaic business

- *Solar photovoltaic glass*

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

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

- *Solar photovoltaic modules*

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

- *Solar photovoltaic power station*

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

- *Quartz sand processing*

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

(2) New materials business

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

(3) Trading and other businesses

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

FINANCIAL REVIEW

1. Overall performance

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

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

2. **Capital structure**

As at 30 June 2018, the Group's borrowings were mainly denominated in Renminbi and US dollars, while the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intends to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure. As at 30 June 2018, the liabilities (including bank borrowings and other borrowings) of the Group totaled RMB2,588.95 million (31 December 2017: RMB2,491.51 million); the cash and bank balances were RMB327.39 million (31 December 2017: RMB491.51 million); and the gearing ratio was 91.06% (31 December 2017: 94.74%).

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 2018, the operating costs of the Group decreased by RMB6.12 million (30 June 2017: decreased by RMB930,000) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

4. **Commitments**

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

5. **Contingent liabilities**

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

6. **Pledged assets**

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

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.

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 2018, 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 2018.

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

MATERIAL ACQUISITION AND DISPOSAL

Disposal of 51% equity interest in Zhuhai Caizhu Industrial Co., Ltd.*

On 3 May 2018, the Company and Zhongdian IRICO entered into the Equity Transfer Agreement, pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 51% equity interest in Zhuhai Caizhu at a cash consideration of RMB131,882,093.71. Upon completion of the disposal, the Company will hold 49% equity interest in Zhuhai Caizhu, and Zhuhai Caizhu will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company. The disposal was approved by independent shareholders at the extraordinary general meeting held on 26 June 2018. The update of registration record in the industry and commerce administration authority was still in progress as at 30 June 2018.

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

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

OTHER MATTERS

Adoption of the PRC accounting standards for business enterprises; proposed amendments to the articles of association; and proposed change of overseas auditor and proposed appointment of auditor

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

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

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

For details, please refer to the announcements of the Company dated 6 November 2017, 22 December 2017 and 25 May 2018, as well as the circular of the Company dated 1 December 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 independent third parties

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

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

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

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

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

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

The 2018 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 2018

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*