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IRICO

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

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

(Stock Code: 0438)

2018 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of IRICO Group New Energy Company Limited* (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement are consistent with the amounts set out in the audited consolidated financial statements of the Group for the same year.

BALANCE SHEET

As at 31 December 2018

Item	31 December 2018	1 January 2018	31 December 2017
Current Assets:			
Cash at bank and on hand	**260,546,684.16**	**491,507,931.96**	491,507,931.96
Held-for-trading financial assets	**679,095.34**		
Financial assets at fair value through current profit or loss			
Derivative financial assets			
Bills and accounts receivable	**1,005,344,193.48**	**942,966,856.48**	942,966,856.48
Including: bills receivable	**339,322,789.73**	**438,566,911.32**	438,566,911.32
accounts receivable	**666,021,403.75**	**504,399,945.16**	504,399,945.16
Prepayments	**63,045,789.85**	**198,778,715.79**	198,778,715.79
Other receivables	**249,397,827.25**	**53,949,968.87**	53,949,968.87
Including: interests receivable			
dividends receivable			
Inventories	**166,308,583.08**	**191,165,827.81**	191,165,827.81
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	**85,627,181.99**	**75,671,306.26**	75,671,306.26
Total current assets	**1,830,949,355.15**	**1,954,040,607.17**	1,954,040,607.17

Item	**31 December 2018**	**1 January 2018**	31 December 2017
Non-current assets:			
Debt investment			
Available-for-sale financial assets			364,442,481.28
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	**179,326,419.17**	**54,160,965.99**	54,160,965.99
Other investments in equity instruments	**250,009,608.42**	**364,442,481.28**	
Other non-current financial assets			
Investment properties		**10,961,164.31**	10,961,164.31
Fixed assets	**1,502,164,833.71**	**819,662,248.83**	819,662,248.83
Construction in progress	**772,497,652.24**	**941,639,097.86**	941,639,097.86
Productive biological assets			
Oil and gas assets			
Intangible assets	**264,864,756.84**	**232,365,319.19**	232,365,319.19
Development expenditures			
Goodwill	**38,544,327.69**	**41,533,010.55**	41,533,010.55
Long-term deferred expenses	**19,689,300.10**	**6,722,661.07**	6,722,661.07
Deferred tax assets	**861,194.97**	**588,775.47**	588,775.47
Other non-current assets	**11,869,754.47**	**170,490,405.25**	170,490,405.25
Total non-current assets	**3,039,827,847.61**	**2,642,566,129.80**	2,642,566,129.80
Total assets	**4,870,777,202.76**	**4,596,606,736.97**	4,596,606,736.97

Item	**31 December 2018**	**1 January 2018**	31 December 2017
Current liabilities:			
Short-term borrowings	**434,252,466.63**	**557,298,613.98**	557,298,613.98
Held-for-trading financial liabilities			
Financial liabilities at fair value through current profit or loss			
Derivative financial liabilities			
Bills and accounts payables	**1,380,073,787.73**	**1,314,986,109.96**	1,314,986,109.96
Receipts in advance			164,982,905.40
Contract liabilities	**50,535,500.53**	**164,982,905.40**	
Employee benefits payable	**42,518,480.81**	**54,704,487.22**	54,704,487.22
Taxes payable	**22,195,570,97**	**16,413,033.69**	16,413,033.69
Other payables	**1,539,489,454.26**	**1,513,954,011.83**	1,513,954,011.83
Including: interests payable	**24,484,848.54**	**1,653,041.38**	1,653,041.38
dividends payable	**21,689,811.54**	**21,689,811.54**	21,689,811.54
Held-for-sale liabilities			
Non-current liabilities due within one year	**497,519,566.90**	**222,729,511.26**	222,729,511.26
Other current liabilities			
Total current liabilities	**3,966,584,827.83**	**3,845,068,673.34**	3,845,068,673.34

Item	**31 December 2018**	**1 January 2018**	31 December 2017
Non-current liabilities:			
Long-term borrowings	**595,375,744.44**	**395,398,700.00**	395,398,700.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables	**7,000,000.00**	**7,000,000.00**	7,000,000.00
Long-term employee benefits payable	**10,856,171.40**	**21,706,869.67**	21,706,869.67
Estimated liabilities		**3,809,262.97**	3,809,262.97
Deferred income	**76,512,512.01**	**81,475,121.13**	81,475,121.13
Deferred tax liabilities	**664,907.28**	**559,280.19**	559,280.19
Other non-current liabilities			
Total non-current liabilities	**690,409,335.13**	**509,949,233.96**	509,949,233.96
Total Liabilities	**4,656,994,162.96**	**4,355,017,907.30**	4,355,017,907.30

Item	31 December 2018	1 January 2018	31 December 2017
Shareholders' equity:			
Share capital	**2,232,349,400.00**	**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**	943,531,444.10
Less: Treasury shares			
Other comprehensive income	**-233,080,783.78**	**-118,488,713.46**	-118,488,713.46
Special reserve			
Surplus reserve	**22,477,267.06**	**22,477,267.06**	22,477,267.06
Undistributed profit	**-2,872,034,688.32**	**-2,953,332,667.89**	-2,953,332,667.89
Total equity attributable to equity shareholders of the Company	**93,242,639.06**	**126,536,729.81**	126,536,729.81
Minority interests	**120,540,400.74**	**115,052,099.86**	115,052,099.86
Total equity	**213,783,039.80**	**241,588,829.67**	241,588,829.67
Total liabilities and shareholders' equity	**4,870,777,202.76**	**4,596,606,736.97**	4,596,606,736.97

INCOME STATEMENT

For the year 2018

Item	January– December 2018	January– December 2017
I. Operating revenue	**2,331,919,056.79**	2,471,465,913.33
Less: Operating costs	**2,089,013,201.40**	2,193,802,278.00
Taxes and surcharges	**9,908,805.07**	12,118,364.26
Selling expenses	**62,350,299.28**	80,758,048.46
Administrative expenses	**120,967,328.51**	132,299,961.55
Research and development expenses	**43,681,819.82**	26,187,091.03
Finance costs	**91,274,845.31**	67,975,297.26
Including: Interest expense	**89,800,923.01**	70,875,500.93
Interest income	**4,307,646.28**	1,855,454.36
Impairment losses on assets	**5,061,614.57**	24,616,304.55
Credit impairment losses	**12,004,452.48**	
Add: Other income	**44,164,887.91**	119,897,667.54
Investment income (loss is represented by "-")	**143,381,973.88**	12,145,078.92
Including: Gains from investment in associates and joint ventures	**-1,544,793.72**	-13,582,527.28
Gains from net exposure hedges (loss is represented by "-")		
Gains from changes in fair value (loss is represented by "-")	**-102,782.68**	
Gains from disposal of assets (loss is represented by "-")	**55,533.98**	33,558,954.82
II. Operating profit (loss is represented by "-")	**85,156,303.44**	99,310,269.50
Add: Non-operating income	**2,230,423.35**	10,914,972.74
Less: Non-operating expenses	**428,952.38**	4,068,372.82
III. Total profit (total loss is represented by "-")	**86,957,774.41**	106,156,869.42
Less: Income tax expenses	**171,493.96**	5,874,431.25
IV. Net profit (net loss is represented by "-")	**86,786,280.45**	100,282,438.17
(I) Classified by continuity of operations:		
1. Net profit from continuing operations (net loss is represented by "-")	**-56,415,763.13**	70,362,902.36
2. Net profit from discontinued operations (net loss is represented by "-")	**143,202,043.58**	29,919,535.81

Item	**January– December 2018**	January– December 2017
(II) Classified by ownership of equity:		
1. Net profit attributable to the shareholders of the Company (net loss is represented by "-")	**81,297,979.57**	90,008,181.53
2. Minority interests (net loss is represented by "-")	**5,488,300.88**	10,274,256.64
V. Other comprehensive income, net of tax	**-114,592,070.32**	-56,794,381.54
Other comprehensive income (net of tax) attributable to the shareholders of the Company	**-114,592,070.32**	-56,794,381.54
(I) Other comprehensive income that cannot be reclassified to profit or loss	**-114,432,872.86**	
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Other comprehensive income that cannot be reclassified into profit or loss under equity method		
3. Changes in fair value of investments in other equity instruments	**-114,432,872.86**	
4. Changes in fair value of credit risks of the Company		
(II) Other comprehensive income that will be reclassified to profit or loss		-56,794,381.54
1. Other comprehensive income that may be reclassified to profit or loss under equity method		
2. Changes in fair value of other debt investments		
3. Gain or loss from change in fair value of available-for-sale financial assets		-56,601,076.80
4. Financial assets reclassified as other comprehensive income		
5. Gain or loss from reclassification of held-to maturity investments as available-for-sale financial assets		
6. Provision for credit impairment of other debt investments		
7. Cash flows hedging reserve (effective gains or losses from cash flow hedging)		

Item	**January– December 2018**	January– December 2017
8. Exchange differences from translation of foreign currency financial statements	**-159,197.46**	-193,304.74
9. Others		
Other comprehensive income (net of tax) attributable to minority shareholders		
VI. Total comprehensive income	**-27,805,789.87**	43,488,056.63
Total comprehensive income attributable to the shareholders of the Company	**-33,294,090.75**	33,213,799.99
Total comprehensive income attributable to minority shareholders	**5,488,300.88**	10,274,256.64
VII. Earnings per share		
(I) Basic earnings per share	**0.04**	0.04
(II) Diluted earnings per share		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 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 consolidated financial statements are presented in Renminbi ("**RMB**").

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: In 2018, the Company achieved consistent increase in production capacity of the production lines, continued growth in respect of the proportion of qualified products, significant reduction of production cost and steady progress of project construction, technological innovation and enhancement of quality and efficiency. Meanwhile, the Company obtained gains on investment of RMB144,150,000 from the transfer of 51% equity interests in Zhuhai Caizhu. In 2018, the Company recorded total profit of RMB86.96 million in aggregate. As at 31 December 2018, the Company recorded net current liabilities of RMB2,135.64 million, indicating that the Company would be under heavy debt repayment pressure in the short term. However, the Company will take the following measures to ensure the safety of its funds and improve its business results:

(1) The Company has obtained a financial support commitment letter from IRICO Group, the controlling shareholder of the Company;

(2) The Company will actively push forward its additional issuance plan and has obtained approval by the SASAC. Upon completion of the additional issuance, the Company will speed up the construction and production of the fund-raising project and create new profit growth points for the Company, and the Group's asset-liability ratio and finance costs will be significantly reduced.

(3) As Phase II of Hefei Photovoltaic Glass commenced operation at the end of 2018, and Yan'an Photovoltaic Glass project commenced production in 2019, the Group's future production, sales volume, revenue and the market share of its products are expected to increase significantly;

(4) The Company will continue to promote lean production management, make technological innovations, improve rate of qualified product, implement centralized purchasing of bulk materials and comprehensive benchmarking and other measures, so as to further reduce product costs.

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 31 December 2018, and operating results, cash flows and other relevant information for the year 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

A financial instrument is the contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(I) Financial assets

The Company classifies financial assets which satisfy the following conditions as financial assets measured at amortised cost: ① When the objective of the business model of the financial assets under the management of the Company is to collect contractual cash flows; ② 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 financial assets which satisfy the following conditions as financial assets at fair value through other comprehensive income: ① 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; ② 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.

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. At initial recognition, if accounting mismatch can be eliminated or reduced, the Company can irrevocably designate financial assets as those at fair value through current profit or loss.

When the Company changes its business model for the management of financial assets, all relevant financial assets affected are reclassified on the first day of the first reporting period following the change in business model and prospective application approach will be adopted for relevant accounting treatment from the first day of reclassification. No retroactive adjustment will be made to the previously recognised gains, losses (including impairment losses or gains) or interests.

(II) Financial liabilities

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. For financial assets and financial liabilities at fair value through current profit or loss, the relevant transaction expenses are directly recognised as current profit and loss; for other types of financial assets or financial liabilities, the relevant transaction expenses are included in the initial recognition amount. Accounts receivable or bills receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. 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 any swap arrangements, when derecognized, reclassified, 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 instrument investments at fair value through other comprehensive income

Upon initial recognition, such financial assets are measured subsequently 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 Investment in equity instrument not held for trading purposes designated at fair value through other comprehensive income

Upon initial recognition, such financial assets are measured subsequently at fair value. Apart from dividends (other than the part of investment costs recovered) which are included in the current profit or loss, other relevant gains and losses are included in other comprehensive income and will not subsequently be transferred to the current profit or loss.

(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 changes in the fair value of financial liabilities held for trading purposes are recognised in the profit or loss for the current period.

For the financial liabilities designated at fair value through current profit or loss, the amount of changes in the fair value of the financial liabilities arising from the changes in enterprise's own credit risk is included in other comprehensive income, and other changes in fair value are recognised in profit or loss. If the inclusion of the effects of the changes in the credit risk of the financial liabilities in other comprehensive income will cause or expand the accounting mismatch in profit or loss, the Company will include all the gains or losses of the financial liabilities in the current profit and loss.

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

(1) Financial assets

If one of the following conditions is met, the financial assets of the Company are derecognised: ① the right of the contract to receive the cash flows of financial assets terminates; ② the financial asset has been transferred and the Company has transferred almost all of the risks and rewards related to the ownership of the financial asset; ③ the financial asset has been transferred and, although the Company has neither transferred nor retained nearly almost all of the rewards related to the ownership of the financial asset, the Company has not retained the control over the financial asset.

If the Company has neither transferred nor retained nearly almost all of the rewards related to the ownership of the financial asset and has not retained the control over the financial asset, the relevant financial asset will be recognized according to its proportion of participation in the transferred financial asset, and the relevant liabilities will be recognized.

When the overall transfer of a financial asset meets the criteria for derecognition, the balance between the following two amounts will be included in the current profit or loss: ① the carrying amount of the financial asset transferred on the derecognition date; ② the sum of the consideration received from the transfer of the financial asset 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 (the financial asset involved in the transfer is classified as financial asset at fair value through other comprehensive income).

If part of the transfer of a financial asset meets the criteria for derecognition, the entire carrying amount of the financial asset transferred shall be first proportionally amortised between the derecognised portion and the retained portion according to their respective relative fair value on the transfer date. Then, the balance between the following two amounts will be included in the current profit or loss: ① the carrying amount of the derecognized part on the derecognition date; ② the sum of the consideration received for the derecognized part and the amount of the corresponding derecognised part in the accumulated amount of the changes in fair value originally included in other comprehensive income (the financial asset involved in the transfer is classified as financial asset at fair value through other comprehensive income).

On derecognition of investment in equity instrument not held for trading purposes designated at fair value through other comprehensive income, accumulated gains or losses previously included in other comprehensive income are transferred to retained earnings.

(2) Financial liabilities

Once the present obligation of financial liabilities (or parts of them) has been lifted, financial liabilities (or parts of them) of the Group has been derecognized.

The difference between the carrying amount of financial liabilities (or parts of them) and consideration paid (including transferred non-cash assets or liabilities) is recognized in profit or loss, when financial liabilities (or parts of them) are derecognized.

(XI) Determination method and accounting treatment method for expected credit losses

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

On each balance sheet date, the Company assesses whether the credit risk of relevant financial instruments has increased significantly since the initial recognition. The process of credit impairment of a financial instrument is divided into three stages, and there are different accounting treatment methods for impairment of financial instruments at different stages: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since the initial recognition, the Company measures the loss provisions at an amount equal to 12-month expected credit losses of the financial instrument; (2) In the second stage, if the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, the Company measures the loss provisions according to the lifetime expected credit loss of the financial instrument; (3) In the third stage, if credit impairment occurs after the initial recognition, the Company will measure loss provisions according to the lifetime expected credit loss of the financial instrument.

1. Method for measuring loss provisions for financial instruments with lower credit risk

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and uses a simplified method, i.e. measurement of loss provisions at an amount equal to 12-month expected credit losses.

2. Method for measurement of loss provisions for accounts receivable and contract assets

For the accounts receivable or contract assets arising from transactions under Accounting Standards for Business Enterprises No. 14 – Revenue (whether or not containing significant financing components), the Company applies a simplified method, i.e. measurement of loss provisions always at the lifetime expected credit loss.

3. Method for measurement of loss provisions for other financial assets

For financial assets other than those mentioned above, e.g. debt investment, other debt investment, other receivables, long-term receivables, etc., the Company measures loss provisions with the general method, i.e. the "three-stage" model.

In case of credit impairment at measurement of financial instruments, the following information is taken into account when assessing whether credit risk has increased significantly: (1) Whether internal price indicator resulted from change in credit risk has changed significantly; (2) If the existing financial instruments are derived into or issued as new financial instruments at the reporting date, whether interest rates or other terms of the above financial instruments have changed significantly; (3) Whether external market indicators of credit risk for the same financial instrument or financial instruments with shared expected life have changed significantly; (4) Whether external credit rating of the financial instrument has actually changed significantly or is expected to change significantly; (5) Whether the borrower's internal credit rating is actually lowered or is expected to be lowered; (6) Whether expected detrimental changes in business, financial and economic conditions of the borrower which will affect borrower's ability to perform repayment obligation have changed significantly; (7) Whether the actual or expected financial performance of the borrower has changed significantly; (8) Whether credit risk of other financial instruments issued by the same borrower has increased significantly; (9) Whether supervisory, economic or technical environment for the borrower has significant detrimental changes; (10) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; (11) Whether the economic motive that will lower the borrower's repayment based on contractual stipulation has changed significantly; (12) Expected changes in the loan contract including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the financial instrument; (13) Whether the borrower's expected performance and repayment activities have changed significantly; (14)Whether the Group's financial instrument management measures have changed.

Based on the nature of financial instruments, the Company assesses whether credit risk has increased significantly on the basis of a single financial asset or combination of financial assets. According to the credit risk characteristics, the Company divides the bills receivable and accounts receivable and contract assets into several combinations, and calculates the expected credit losses on a combined basis. The basis for determining the combination is as follows:

Accounts receivable combination 1: Accounts receivable for which provision for bad debts is made based on individual assessment

Accounts receivable combination 2: Accounts receivable for which provision for bad debts is made by combination

(1) Accounts receivable for which provision for bad debts is made by aging

(2) Accounts receivable for which provision for bad debts is made by related party combination

For accounts receivable designated to a combination, the Company makes the comparison of trade receivables overdue days and full lifetime expected credit losses rate to calculate the expected credit losses by taking into account the historical credit losses experience, and the existing and forecast of future economic conditions. For bills receivable and contract assets designated to a combination, the Company applies lifetime expected credit losses rate to calculate the expected credit losses by taking into account the historical credit losses experience and the existing and forecast of future economic conditions.

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, and shall be deducted from the carrying amounts of the financial assets on the balance sheet or included in the accrued liabilities (loan commitments or financial guarantee contract) or other comprehensive income (debt investment at fair value through other comprehensive income) according to the type of financial instruments.

(XII) 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.

(XIII) 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 recognized 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.

(XIV) 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.

(XV) 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.

(XVI) 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.

(XVII) 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 to adjust the interest in every accounting 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 over the term of the borrowings.

(XVIII) 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 indefinite 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 cannot 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.

(XIX) 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.

(XX) Long-term deferred expenses

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.

(XXI) 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.

(XXII) 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 can not reflect truly the current best estimate, the carrying amount shall be adjusted according to the current best estimate.

(XXIII) Revenue

When the Group has implemented the performance obligation in the contract, namely, when the customer obtains the right to control relevant goods or services, revenues will be recognized as per transaction prices allocated to such performance obligation. Obtaining the right to control relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. Performance obligation represents the Group's commitment to transfer distinct goods or services to the customer in the contract. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

1. Sale of goods

Sales are recognized when the goods have been shipped to specific locations agreed in sales contracts and both parties confirm the delivery by signing delivery sheets or proof of delivery (or delivery of bill of lading in case of delivery by the customer according to the contracts) upon the execution of sales contracts (including purchasing orders with the same effect as the contracts).

2. Rendering of services

The revenue from rendering of service to external customers by the Group is recognised within a certain period based on the completion stage of the service, which is determined by the proportion of costs incurred in estimated total costs. The Group re-estimates the completion stage of the service at the balance sheet date, so that it can reflect changes in the condition of performance. When the Group recognises revenue according to the completion stage of the service, the part with unconditional collection right obtained is recognised as accounts receivable, while the remaining part is recognised as contract assets, and loss provision for accounts receivable and contract asset shall be recognised on the basis of expected credit losses; if the contract price received or receivable exceeds the completed service, the excess will be recognised as the contract liability. Contract assets and contract liabilities under the same contract are presented on a net basis.

(XXIV) Contract cost

Contract cost includes the incremental cost happened for obtaining the contract and the contract performance cost. The incremental cost happened for obtaining the contract (the "**contract obtaining cost**") refers to the cost which will not occur of the contract is not obtained. Where the cost is expected to be recovered, the Company considers it as the contract obtaining cost and recognises it as an asset.

Where the cost happened for obtaining the contract does not fall into the scope of inventories and other accounting standards for business enterprises and meets the following conditions at the same time, the Company considers it as the contract performance cost and recognises it as an asset:

1. The cost is directly related to a current contract or a contract expected to be obtained, including direct labor, direct materials, manufacturing fees (or similar fees), the cost set to be assumed by users and other cost arising merely from the contract;

2. The cost increased the resources of the Company to be used for performing the performance obligations in the future;

3. The cost is expected to be recovered.

The assets with the contract obtaining cost recognised and the assets with the contract performance cost recognised (hereafter referred to as the "**contract cost-related assets**") are amortized on the same basis as the recognition of revenue on commodities related to the asset and are included in the current profit or loss. The amortization period for the assets from the incremental cost on obtaining the contract shall be no more than one year and shall be included in the current profit or loss after happened.

When the carrying value of the contract cost-related assets is higher than the difference between the following two items, the impairment provisions for the excess shall be made and shall be recognised as losses on assets impairment:

1. The remaining consideration expected to be obtained from transfer of commodities related to the asset; and

2. The cost estimated to be happened for the transfer of such commodities.

(XXV) 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: ① 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; ② 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.

(XXVI) 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.

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: ① solar photovoltaic business, ② new materials business – production and sales of luminous materials and lithium battery anode materials, ③ trading business – trading of solar modules and other related accessories, and ④ others.

2. Financial information of the segment reporting

Unit: RMB

Amount for the current period	Solar photovoltaic business	New materials business	Trading business	Others	Inter-segment eliminations
I. Operating revenue	1,729,784,431.54	452,088,053.33	107,363,398.77	42,683,173.15	
II. Operating cost	1,545,831,038.05	417,802,394.33	101,840,795.74	23,538,973.28	
III. Gain from investments in associates and joint ventures	-1,544,793.72				
IV. Asset impairment losses and credit impairment losses	11,678,764.66	2,316,695.48		79,862.63	2,990,744.28
V. Depreciation and amortization	85,703,562.80	1,362,098.66	3,618,434.35	135,113.19	
VI. Total profit	21,786,110.51	26,571,080.38	4,935,030.21	10,198,700.59	23,466,852.72
VII. Income tax expenses	171,493.96	387,470.07			-387,470.07
VIII. Net profit	21,614,616.55	26,183,610.31	4,935,030.21	10,198,700.59	23,854,322.79
IX. Total assets	3,553,854,874.16	429,297,777.95	234,975,291.17	2,313,192,535.31	-1,661,404,470.80
X. Total liabilities	2,103,876,546.76	171,679,162.58	129,936,517.28	2,582,192,428.51	-331,355,399.45

Amount for the previous period	Solar photovoltaic business	New materials business	Trading business	Others	Inter-segment eliminations
I. Operating revenue	**1,682,440,126.97**	**319,014,136.55**	**361,947,434.95**	**108,064,214.86**	
II. Operating cost	**1,446,727,619.55**	**301,114,958.59**	**355,553,435.69**	**90,406,264.17**	
III. Gain from investments in associates and joint ventures	**-13,582,527.28**				
IV. Asset impairment losses and credit impairment losses	**11,852,256.75**	**11,241,915.77**	**2,418,900.62**	**-896,768.59**	
V. Depreciation and amortization	**70,853,517.13**	**1,496,404.49**	**3,308,083.74**	**1,898,902.88**	
VI. Total profit	**179,484,657.35**	**8,803,392.03**	**2,681,886.80**	**-73,226,981.39**	**-11,586,085.37**
VII. Income tax expenses	**5,874,431.25**	**-549,160.19**			**549,160.19**
VIII. Net profit	**173,610,226.10**	**9,352,552.22**	**2,681,886.80**	**-73,226,981.39**	**-12,135,245.56**
IX. Total assets	**3,065,594,028.40**	**393,402,197.29**	**463,042,612.60**	**2,426,405,586.08**	**-1,752,426,462.87**
X. Total liabilities	**1,481,911,982.11**	**161,967,192.23**	**248,500,425.64**	**2,763,396,320.31**	**-301,317,293.18**

Geographical information

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

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

	2018	2017
	RMB	*RMB*
The PRC (excluding Hong Kong)	**1,990,518,019.73**	2,084,906,250.41
Hong Kong		2,187,217.80
Other countries	**300,217,863.88**	276,308,230.26
	2,290,735,883.61	2,363,401,698.47

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

Information about major customers

The Group has identified 1 customer (2017: two) which individually represented over 10% of the Group's total external sales.

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

	2018	2017
	RMB	*RMB*
Customer A	**303,438,979.06**	
Customer B		405,730,000.00
Customer C		251,930,000.00
	303,438,979.06	657,660,000.00

The revenue for 2018 was from the products of new materials business and the revenue for 2017 was from production of photovoltaic business products.

V. TAXATION

(I) Major tax categories and tax rates

Tax categories	Tax basis	Rate
Value-added tax ("**VAT**")	VAT payable	17%、16%、6%、5%
Urban maintenance and construction tax	Turnover taxes paid	7%、5%
Enterprise income tax	Taxable profits	25%、15%
Hong Kong Profits Tax	Taxable profits	8.25%-16.5%

Note 1: According to provisions in the Notice on Adjusting the Value added Tax Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》) (財稅[2018] 32號) issued by Ministry of Finance and the SAT, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 17% to 16% and from 11% to 10%, respectively, from 1 May 2018.

Note 2: Electronics Hong Kong, a subsidiary, is subject to a two-tiered profits tax rates regime from 1 April 2018 based on the taxation policy of Hong Kong, the place of registration. The applicable tax rate for the profits of not more than HK$2 million is 8.25%, and subsequent profits will be taxed at 16.5%.

(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 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. IRICO 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. IRICO Yongneng also applied for High and New Technology Enterprise in 2018 and enterd the list of the 2018 third batch proposed recognised High and New Technology Enterprise of Jiangsu Province, and relevant certificates application has not been completed.

4. Hefei Photovoltaic, a subsidiary of the Company was accredited as a High and New Technology Enterprise (Certificate No. CR201834000268) as approved by the Science and Technology Department of Anhui Province, Anhui Provincial Department of Finance and Anhui Provincial Tax Service, State Taxation Administration on 24 July 2018, and has been entitled to a 15% preferential tax treatment for EIT. It did not enjoy preferential tax treatment in the first half.

VI. OTHER EQUITY INVESTMENTS

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

Item	Opening balance	**Closing balance**	**Dividend income recognized in the period**	**Amount of accumulated gains and losses transferred to retained earnings from other comprehensive income in the period**	**Reason for transfer**
Shaanxi Caihong Electronics Glass Co., Ltd. (陝西電子玻璃有限公司)	103,016,257.81	**103,908,078.93**			Designated classification
IRICO Display Devices Co., Ltd.* (彩虹顯示器件股份有限公司)	261,426,223.47	**146,101,529.49**			Designated classification
Total	364,442,481.28	**250,009,608.42**			

Note 1: As at the end of the Reporting Period, the Group held 7.2953% of the equity interests in Shaanxi Caihong Electronics Glass Co., Ltd.

2: As at the end of the Reporting Period, the Group held 35,375,673 shares of IRICO Display Devices Co., Ltd. (IRICO Display) and the share price was RMB4.13 per share.

VII. ACCOUNTS AND BILLS RECEIVABLES

Category	**Closing balance**	Opening balance
Notes receivable	**339,322,789.73**	438,566,911.32
Accounts receivable	**708,464,353.68**	546,894,837.18
Less: allowance for bad debts	**42,442,949.93**	42,494,892.02
Total	**1,005,344,193.48**	942,966,856.48

1. Ageing analysis

	Closing balance	Opening balance
Within 6 months	**836,387,018.51**	749,365,033.76
7 months to one year	**120,670,591.62**	162,830,117.85
One year to 2 years	**10,812,581.78**	24,222,443.33
2 years to 3 years	**10,474,001.57**	6,549,261.54
Total	**1,005,344,193.48**	942,966,856.48

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

VIII. OTHER RECEIVABLES

Category	**Closing balance**	Opening balance
Other receivables	**252,819,928.78**	55,558,706.43
Less: allowance for bad debts	**3,422,101.53**	1,608,737.56
Total	**249,397,827.25**	53,949,968.87

(1) Other receivables by nature

Nature	**Closing balance**	Opening balance
Security deposit	**23,670,108.19**	9,310,270.24
Deposit, reserve	**1,887,882.94**	909,534.51
Receivables from related parties	**208,334,695.63**	36,536,811.20
Social insurance contributions made for employees	**272,024.05**	89,448.28
Receivables in relation to government grants	**5,195,400.00**	
Others	**13,459,817.97**	8,712,642.20
Total	**252,819,928.78**	55,558,706.43

IX. NOTES AND ACCOUNTS PAYABLES

Item	Closing balance	Opening balance
Notes payable	**490,689,505.29**	566,500,363.01
Accounts payable	**889,384,282.44**	748,485,746.95
Total	**1,380,073,787.73**	1,314,986,109.96

1. Notes payable

Item	Closing balance	Opening balance
Bank acceptance bills	**490,689,505.29**	566,500,363.01
Total	**490,689,505.29**	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	Opening balance
Within 1 year (including 1 year)	**758,391,661.66**	626,792,197.77
Over 1 year	**130,992,620.78**	121,693,549.18
Total	**889,384,282.44**	748,485,746.95

X. SHORT-TERM BORROWINGS

1. Categories of short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Pledged loans	**130,252,466.63**	298,298,613.98
Mortgaged loans	**18,000,000.00**	33,000,000.00
Guaranteed loans	**236,000,000.00**	226,000,000.00
Guaranteed and mortgaged loans	**50,000,000.00**	
Total	**434,252,466.63**	557,298,613.98

1. Pledged loans

Bank name (bank or financial institution)	Borrowing balance	Pledge
Industrial and Commercial Bank of China Xianyang Rainbow Sub-branch (中國工商銀行咸陽市彩虹支行)	10,000,000.00	Bills held by the Company
China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)	100,000,000.00	Equity interests in IRICO Display held by the Company
Industrial and Commercial Bank of China Yan'an Yaodian Sub-branch (工商銀行延安姚店支行)	352,466.63	Bills held by Yan'an New Energy
Zheshang Bank Xianyang Branch (浙商銀行咸陽分行)	19,900,000.00	Bills held by the Company
Total	130,252,466.63	

2. Mortgaged loans

Bank name (bank or financial institution)	Borrowing balance	Guarantee
Suzhou Bank Zhangjiagang Sub-branch (蘇州銀行張家港支行)	18,000,000.00	Buildings and land use right owned by IRICO Yongneng
Total	18,000,000.00	

3. Guaranteed loans

Bank name (bank or financial institution)	Borrowing balance	Guarantor
Bank of China Xianyang Branch (中國銀行咸陽分行)	30,000,000.00	IRICO Group
China Everbright Bank Xi'an Youyi Road Sub-branch (中國光大銀行西安友誼路支行)	70,000,000.00	IRICO Group
China Zheshang Bank Xianyang Branch (浙商銀行咸陽分行)	20,000,000.00	IRICO Group/ Xianyang Zhongdian IRICO Group Holdings Ltd. ("Zhongdian IRICO")
China Construction Bank Hefei Chengdong Sub-branch (中國建設銀行合肥城東支行)	40,000,000.00	Zhongdian IRICO
Huishang Bank Hefei Technology Sub-branch (徽商銀行合肥科技支行)	50,000,000.00	Zhongdian IRICO
Hefei Science & Technology Rural Commercial Bank Xinzhan Sub-branch (合肥科技農村商業銀行新站支行)	26,000,000.00	Zhongdian IRICO
Total	236,000,000.00	

4. Guaranteed and Mortgaged loans

Bank name (bank or financial institution)	Borrowing balance	Guarantor/Guarantee
Industrial and Commercial Bank of China Xianyang Rainbow Sub-branch (中國工商銀行咸陽市彩虹支行)	10,000,000.00	The Company/ Industrial property of Shaanxi IRICO New Materials Company Limited on the west side of 2nd Rainbow Road
Zhangjiagang Rural Commercial Bank (張家港農村商業銀行)	40,000,000.00	IRICO Group/ Machinery equipment
Total	50,000,000.00	

XI. LONG-TERM LOANS

Borrowing conditions	**Closing balance**	Opening balance	**Interest rate range**
Mortgaged loans		210,700,000.00	4.655% -7.47%
Guaranteed loans	**199,485,600.00**	180,298,700.00	4.655% -5.23%
Credit loans	**4,700,000.00**	4,400,000.00	5.795%
Mortgaged and guaranteed loans	**391,190,144.44**		4.655%-7.47%
Total	**595,375,744.44**	395,398,700.00	

1. Guaranteed loans

Bank name (bank or financial institution)	**Borrowing balance**	**Guarantor**
Bank of Xi'an Xianyang Branch (西安銀行咸陽分行)	48,000,000.00	IRICO Group
Hefei Science & Technology Rural Commercial Bank Xinzhan Branch (合肥科技農村商業銀行合肥新站支行)	52,799,500.00	Zhongdian IRICO
Anhui She County Rural Commercial Bank (安徽歙縣農村商業銀行)	29,618,900.00	Zhongdian IRICO
Anhui Xiuning Rural Commercial Bank (安徽休寧農村商業銀行)	14,067,200.00	Zhongdian IRICO
Hefei Science & Technology Rural Commercial Bank Xinzhan Branch (合肥科技農村商業銀行合肥新站支行)	19,000,000.00	Zhongdian IRICO
China Bohai Bank Nanjing Branch (渤海銀行南京分行)	36,000,000.00	The Company and IRICO Group
Total	199,485,600.00	

Maturity profile of long-term loans

Term	Closing balance	Opening balance
Within one year		
Over one year but not more than two years	**92,450,000.00**	321,592,487.50
Over two years but not more than five years	**502,925,744.44**	73,806,212.50
Total	**595,375,744.44**	395,398,700.00

2. Mortgaged and Guaranteed loans

Lender name (bank or financial institution)	Borrowing balance	Guarantee/Guarantor
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	450,000.00	Fixed assets/IRICO Group
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	135,000,000.00	Fixed assets/IRICO Group
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	25,000,000.00	Fixed assets/IRICO Group
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	24,000,000.00	Fixed assets/IRICO New Energy and IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司)
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	116,666,700.00	Fixed assets/IRICO Group and Zhongdian IRICO
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	90,073,444.44	Fixed assets/IRICO Group and Zhongdian IRICO
Total	391,190,144.44	

XII. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Item	Closing balance	Opening balance
Long-term loans due within one year	**495,437,200.00**	220,400,000.00
Other long-term liabilities due within one year	**2,082,366.90**	2,329,511.26
Total	**497,519,566.90**	222,729,511.26

1. Guaranteed loans

Bank name (bank or financial institution)	Borrowing balance	Guarantor
Bank of Xi'an Xianyang Branch (西安銀行咸陽分行)	2,000,000.00	IRICO Group
Huaxia Bank Xixian Branch (華夏銀行西咸分行)	49,700,000.00	The Company
Hefei Science & Technology Rural Commercial Bank (合肥科技農村商業銀行)	3,000,000.00	Zhongdian IRICO
Hefei Science & Technology Rural Commercial Bank (合肥科技農村商業銀行)	15,000,000.00	Zhongdian IRICO
Hefei Science & Technology Rural Commercial Bank (合肥科技農村商業銀行)	43,613,500.00	Zhongdian IRICO
Anhui She County Rural Commercial Bank (安徽歙縣農村商業銀行)	34,566,900.00	Zhongdian IRICO
Anhui Xiuning Rural Commercial Bank (安徽休寧農村商業銀行)	13,579,000.00	Zhongdian IRICO
China Bohai Bank Nanjing Branch (渤海銀行南京分行)	10,000,000.00	The Company/ IRICO Group
Total	171,459,400.00	

2. Guaranteed and Mortgaged loans

Lender name (bank or financial institution)	Borrowing balance	Guarantor/Guarantee
CGNPC International Financial Leasing Co., Ltd. (中廣核國際融資租賃有限公司)	83,333,300.00	Zhongdian IRICO and IRICO Group/ Fixed assets
Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司)	86,994,500.00	Zhongdian IRICO and IRICO Group/ Fixed assets
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	250,000.00	IRICO Group/ Fixed assets
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	75,000,000.00	IRICO Group/ Fixed assets
China Electronics Commercial Financial Leasing Co., Ltd. (中電通商融資租賃有限公司)	50,000,000.00	IRICO Group/ Fixed assets
International Far Eastern Leasing Co., Ltd* (遠東國際租賃有限公司)	26,000,000.00	The Company and IRICO (Hefei) Photovoltaic Co., Ltd,*/Fixed assets
Total	321,577,800.00	

XIII. OTHER PAYABLES

Category	Closing balance	Opening balance
Interests payable	**24,484,848.54**	1,653,041.38
Dividends payable	**21,689,811.54**	21,689,811.54
Others	**1,493,314,794.18**	1,490,611,158.91
Total	**1,539,489,454.26**	1,513,954,011.83

(1) Other payables by nature

Nature	Closing balance	Opening balance
Warranties and deposits	**9,913,360.65**	11,607,262.51
Payables to related parties	**1,012,668,566.67**	974,988,218.71
Staff payments	**4,126,527.51**	2,419,839.60
Payables for acquisition of equity investments		9,241,500.00
Borrowings from non-financial institutions and interest	**431,092,733.24**	437,619,907.14
Others	**35,513,606.11**	54,734,430.95
Total	**1,493,314,794.18**	1,490,611,158.91

XIV. FINANCE COSTS

Item	January–December 2018	January–December 2017
Interest expenses	**89,800,923.01**	70,875,500.93
Less: Interest income	**4,307,646.28**	1,855,454.36
Exchange losses	**42,144.19**	1,959,887.55
Less: Exchange gains	**1,985,531.92**	5,195,709.07
Handling charges	**1,087,060.27**	894,121.34
Other expenses	**6,637,896.04**	1,296,950.87
Total	**91,274,845.31**	67,975,297.26

XV. INVESTMENT INCOME

Category	**January–December 2018**	January–December 2017
Income from long-term equity investments measured under equity method	**-1,544,793.72**	-13,582,527.28
Investment income from disposal of long-term equity investment	**73,518,487.64**	24,017,873.33
Investment income from disposal of financial assets at fair value through current profit or loss	**772,870.27**	
Gain on revaluation of the fair value of remaining equity interests after losing control	**70,635,409.69**	926,569.28
Others		783,163.59
Total	**143,381,973.88**	12,145,078.92

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 31 December 2018, the Company's remaining shareholding in Zhuhai Caizhu was 49%.

XVI. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

XVII. EARNINGS PER SHARE

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

	2018	2017
Profit for the year attributable to the owners of the Company *(RMB)*	**81,297,979.57**	90,008,181.53
Weighted average number of ordinary shares in issue *(shares)*	**2,232,349,400**	2,232,349,400

XVIII.OTHER MATTERS

(I) Proposed non-public issue of shares

According to the announcements of the Company on 24 July 2017, 6 October 2017, 1 February 2018, 18 April 2018 and 23 January 2019 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, IRICO 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 23 January 2019, the number of issued shares of the Company was 2,232,349,400 shares, comprising 1,601,468,000 domestic shares and 630,881,400 H shares. The total number of H shares entitling the H shareholders to attend and vote on the resolutions proposed at the H shares class meeting was 630,881,400 shares.

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

The Group would like to provide an extract from the independent auditor's report prepared by WUYIGE Certified Public Accountants LLP, an independent auditor, on the Group's annual financial statements for the year ended 31 December 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 note II to the financial statements, the Group's net current liabilities amounted to RMB2,135.64 million as at 31 December 2018. As set out in note XII to the financial statements, this matter or condition, together with other matters as set out in note XIV to the consolidated financial statements, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

RESULTS AND DIVIDEND

During the reporting period, the Group recorded operating income of RMB2,331.92 million, representing a year-on-year decrease of RMB139.55 million or 5.65%; and total profit of the Group amounted to RMB86.96 million, representing a year-on-year decrease of RMB19.20 million or 18.09%.

The Company's dividend policy remains unchanged. In light of the absence of accumulated surplus in 2018, the Board has resolved not to distribute any final dividend for the year ended 31 December 2018, which is subject to the approval by the shareholders of the Company at the 2018 annual general meeting to be held in 2019. Further details in relation to the closure of register of member for H shares will be announced by the Company after confirming the arrangement of such general meeting.

BUSINESS REVIEW

During the reporting period, the Group optimized its business structure by focusing on its core business and pursued talent-driven development accompanied by consistent technological innovation. It strove for high-quality development of its new energy and new materials business and boosted the vertical integration of solar photovoltaic business chain and the vigorous growth of new electronic materials business, so as to proactively lay a solid foundation for the future development of the Group.

During the reporting period, industrial layout of the Group took initial shape, the new photovoltaic glass project was in normal production condition, the share of revenue from new products with higher gross profit margin in our total revenue had been rising, and the Group is at the critical juncture for the transition from strategic transformation to strategic development.

(1) Solar photovoltaic business

Solar photovoltaic glass

During the reporting period, the solar photovoltaic glass production line of the Group's Hefei base phase I maintained good operation, and the photovoltaic glass production line of phase II successfully achieved production and saw comprehensive enhancement of production capacity. Hefei base successfully developed and put into industrial application the ultra-thin double-glazed all-steel technology (雙玻超薄全鋼技術) which has been accredited by customers, and was awarded the title of "National High-Tech Enterprise". The solar photovoltaic glass production line of Xianyang base ran in a good condition with its upgrading of production process and equipment vigorously promoted, it commenced the mass production of thin photovoltaic glass, completed the construction of the production line of white ceramic-coated back panel glass (背板白瓷玻璃), and improved the power of double-glazed modules which have been put into mass production. In addition, Yan'an base has completed the equipment installation for the photovoltaic glass production line, which has been put into service with furnace ignition.

Photovoltaic modules and cells

During the reporting period, Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) ("**IRICO Yongneng**") extended the Group's photovoltaic business chain with a primary focus on solar modules and prepared the construction of a high-efficiency polysilicon photovoltaic module project with an annual output of 2GW, thereby further enhancing the comprehensive strengths of the Group.

Solar photovoltaic power station

During the reporting period, the phases I and II of solar photovoltaic power station in Nanjing and solar photovoltaic power stations in Hefei, Wuhan, Liquan, etc. were in stable operation. In addition, the Group conducted project surveys and approached potential partners in Yangzhou, Hefei, Nanjing, Changwu cities of China as well as Ukraine in an attempt to seek opportunities of the development of distributed solar power stations.

Quartz sand processing

During the reporting period, Hanzhong Jiarunze, a subsidiary of the Group, proceeded smoothly with its quartz sand project, and guaranteed stable supply for the solar photovoltaic glass business of the Group, which in turn demonstrated the Group's strength in terms of industrial chain.

(2) New materials business

During the reporting period, the Group introduced advanced technology in positive photoresist from Merck KGaA in Germany, completed the construction of the project for applying such technology and the formation of an operation team (both of which were accredited by Merck Holding (China) Ltd. (默克投資(中國)有限公司) and other customers), and secured bulk orders, marking the Group's positive photoresist business becoming part of the industry chain of LCD panel of CEC. The project is a successful transnational cooperation between the Group and Merck Group for localised production, and marks the beginning of and serves as a typical example for jointly exploring domestic specialized market, paving the way for future technology introduction and project cooperation.

In respect of anode materials for lithium batteries, the Group completed the construction of a NCM811 cathode production line with a designed production capacity among the front rank in China, and mastered the key technologies required for a ternary production line of nickel-rich material. The project has achieved full production capacity as designated which is also compatible with other production lines, laying a sound foundation for expanding the production and marketing scale.

(3) Trading and other businesses

During the reporting period, the Group's trading and other operations substantially decreased.

FUTURE PROSPECTS

The Group is at the critical juncture for the transition from strategic transformation to strategic development. Its industrial layout in the new energy industry and the new material industry largely took shape. The Group will invest in technology and innovation, get the new photovoltaic glass project ready for normal production, increase the share of revenue from new products with higher gross profit margin in the total revenue, so as to expand, strengthen and optimize its business, thus enhancing the Group's comprehensive strength and core competitiveness.

As China has launched policies to promote and support grid parity for photovoltaic power generation, the solar photovoltaic power generation field is embracing significant new opportunities. The demand for installed photovoltaic capacity will change from being policy-oriented to being market-driven, while the global demand for photovoltaic power generation will also develop in a diversified way, and the market demand will rise steadily. The Group will seize the opportunities to speed up the development of new projects for photovoltaic glass, photovoltaic modules and photovoltaic power stations, consistently improve the vertical consolidation of solar photovoltaic power business, and strive to become one of the world's top three players in terms of photovoltaic glass production capacity by 2020, with the total production capacity of photovoltaic modules and cells exceeding 2GW and the total capacity of photovoltaic power stations exceeding 500MW.

In the meanwhile, the Group will, with a focus on the two trillion-worth industries of flat-panel displays and integrated circuit, continuously transform and upgrade its business towards the high end of the industry to build a nationwide platform for strategic electronic materials, and actively tap into the market of positive photoresist, lithium battery anode materials and electronic silver paste products to create new areas of profit growth.

The Group will continue to increase R&D investment in key technologies for the new energy and new material business, strive to achieve breakthroughs and further consolidate its technological advantages in the new energy and new material sector.

The Group will make unremitting efforts to develop itself into a world-renowned green new energy service provider and a world-class new material supplier.

FINANCIAL REVIEW

1. Overall performance

(1) Revenue and profit from principal business

During the reporting period, the Group recorded the revenue from the principal business of RMB2,290.74 million, representing a year-on-year decrease of RMB72.67 million or 3.07%, which was mainly due to the following reasons: the revenue from solar photovoltaic business was RMB1,729.78 million, representing a year-on-year increase of RMB47.34 million; the revenue from new materials business was RMB452.09 million, representing a year-on-year increase of RMB133.08 million; the revenue from trading and other businesses was RMB108.87 million, representing a year-on-year decrease of RMB253.09 million.

The Group recorded a total profit of RMB86.96 million, representing a year-on-year decrease of RMB19.20 million or 18.09%, which 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 in 2018; a significant decrease in the gross profit of photovoltaic glass in the second half of 2018 as a result of a decrease of approximately 30% in the prices of photovoltaic glass as compared with the beginning of the year following the introduction of the "531" new policy; and investment gains of RMB144.15 million from the transfer of 51% equity interests in Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司) ("**Zhuhai Caizhu**") by the Group.

(2) Administrative expenses

During the reporting period, the Group's administrative expenses was RMB120.97 million (2017: RMB132.30 million), representing a year-on-year decrease of RMB11.33 million or 8.57%, which was mainly due to the Group's enhanced control over expenses.

(3) Finance costs

During the reporting period, the Group's finance costs included in profit and loss was RMB91.27 million (2017: 67.98 million), representing a year-on-year increase of RMB23.30 million or 34.28%. The increase in finance costs was mainly attributable to the increase in interest rates and borrowings.

2. Current assets and financial resources

As at 31 December 2018, the Group's cash and bank balances amounted to RMB260.55 million (31 December 2017: RMB491.51 million), representing a year-on –year decrease of RMB230.96 million or 46.99%.

As at 31 December 2018, the liabilities (including bank borrowings and other borrowings) of the Group totaled RMB2,832.18 million (31 December 2017: RMB2,491.51 million).

During the reporting period, the turnover days for accounts receivable of the Group was 98 days, representing a year-on-year increase of 20 days, which was mainly attributable to an increase in accounts receivable as a result of an increase in the output and sales volume of Hefei Photovoltaic Glass Project (Phase II) following its transfer into fixed assets in the fourth quarter in 2018.

During the reporting period, the inventory turnover days of the Group was 33 days, representing a year-on-year increase of 6 days, which was mainly attributable to a year-on-year increase in the average balance of inventories in 2018 as a result of merger with IRICO Yongneng and the transfer of Hefei Photovoltaic Glass Project (Phase II) into fixed assets in the fourth quarter in 2018.

During the reporting period, the Group's net cash outflow from operating activities amounted to RMB232.75 million (31 December 2017: RMB97.71 million), while net cash inflow from financing activities and net cash outflow from investing activities were RMB236.37 million (31 December 2017: RMB411.48 million) and RMB109.29 million (31 December 2017: RMB456 million) respectively. The Group's capital expenditures amounted to RMB227.89 million in total (31 December 2017: RMB424.95 million).

3. Capital structure

As at 31 December 2018, the Group intends to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure.

As at 31 December 2018, the total liabilities of the Group were RMB4,656.99 million(31 December 2017: RMB4,355.02 million), of which bank borrowings and other borrowings totaled RMB2,832.18 million (31 December 2017: RMB2,491.51 million).

As at 31 December 2018, the total owner's equity of the Group was RMB213.78 million (31 December 2017: RMB241.59 million).

As at 31 December 2018, the gearing ratio of the Group was 95.61% (31 December 2017: 94.74%).

4. Foreign exchange risk

The Group's income and most of its expenses were denominated in Renminbi and US dollar. For the year ended 31 December 2018, the net foreign exchange gain of the Group was RMB1.94 million (31 December 2017: RMB3.24 million) as a result of exchange rate fluctuations. Exchange rate fluctuations had no material effect on the Group's working capital or liquidity.

5. Commitments

As at 31 December 2018, the capital expenditure commitments of the Group amounted to RMB471.60 million (31 December 2017: RMB1,152.58 million).

6. Contingent liabilities

As at 31 December 2018, the Group had no material contingent liability.

7. Pledged assets

As at 31 December 2018, the bank and other loans of the Group amounted to approximately RMB911.02 million, which were secured by certain properties, plants, equipment, land use rights, investments in other equity instruments and notes receivables of the Group with a net carrying amount of approximately RMB912.69 million. As at 31 December 2017, the bank and other loans of the Group amounted to approximately RMB278.30 million, which were secured by certain properties, plants, equipment, land use rights, investments in other equity instruments and notes receivables of the Group with a net carrying amount of approximately RMB409.40 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 the reporting period.

DESIGNATED DEPOSIT AND OVERDUE TIME DEPOSIT

As at 31 December 2018, the Group had no designated deposits in any financial institutions in China. All of the Group's cash deposits are placed with commercial banks in China, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the year ended 31 December 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 audited consolidated financial statements for the year ended 31 December 2018.

MATERIAL ACQUISITION AND DISPOSAL

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

On 3 May 2018, the Company and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("**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 would hold 49% equity interest in Zhuhai Caizhu, and Zhuhai Caizhu would cease to be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Company. The disposal was approved by independent shareholders at the extraordinary general meeting held on 26 June 2018 and had been completed in the reporting period.

For details, please refer to the announcements of the Company dated 3 May 2018 and 26 June 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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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.

On 23 January 2019, the resolution in relation to the proposed H share issue under a specific mandate was approved by the shareholders or the holders of H shares (as the case may be) at the extraordinary general meeting and the H share class meeting, respectively. The resolution in relation to the proposed subscription by Zhongdian IRICO was approved by the independent shareholders at the extraordinary general meeting.

For details, please refer to the announcements of the Company dated 24 July 2017, 16 October 2017, 1 February 2018, 18 April 2018, 6 December 2018, 10 December 2018 and 23 January 2019, as well as the circular of the Company dated 31 December 2018.

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.

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

The 2018 annual report of the Company will be published on the Company's website at http://www.irico.com.cn and the website of the Stock Exchange in due course.

By order of the Board
IRICO Group New Energy Company Limited*
Si Yuncong
Chairman

Shaanxi Province, the PRC
26 March 2019

As at the date of this announcement, the Board consists of Mr. Si Yuncong and Mr. Chen Xiaoning as executive directors, Mr. Fan Laiying as non-executive director, and Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive directors.

* *For identification purposes only*